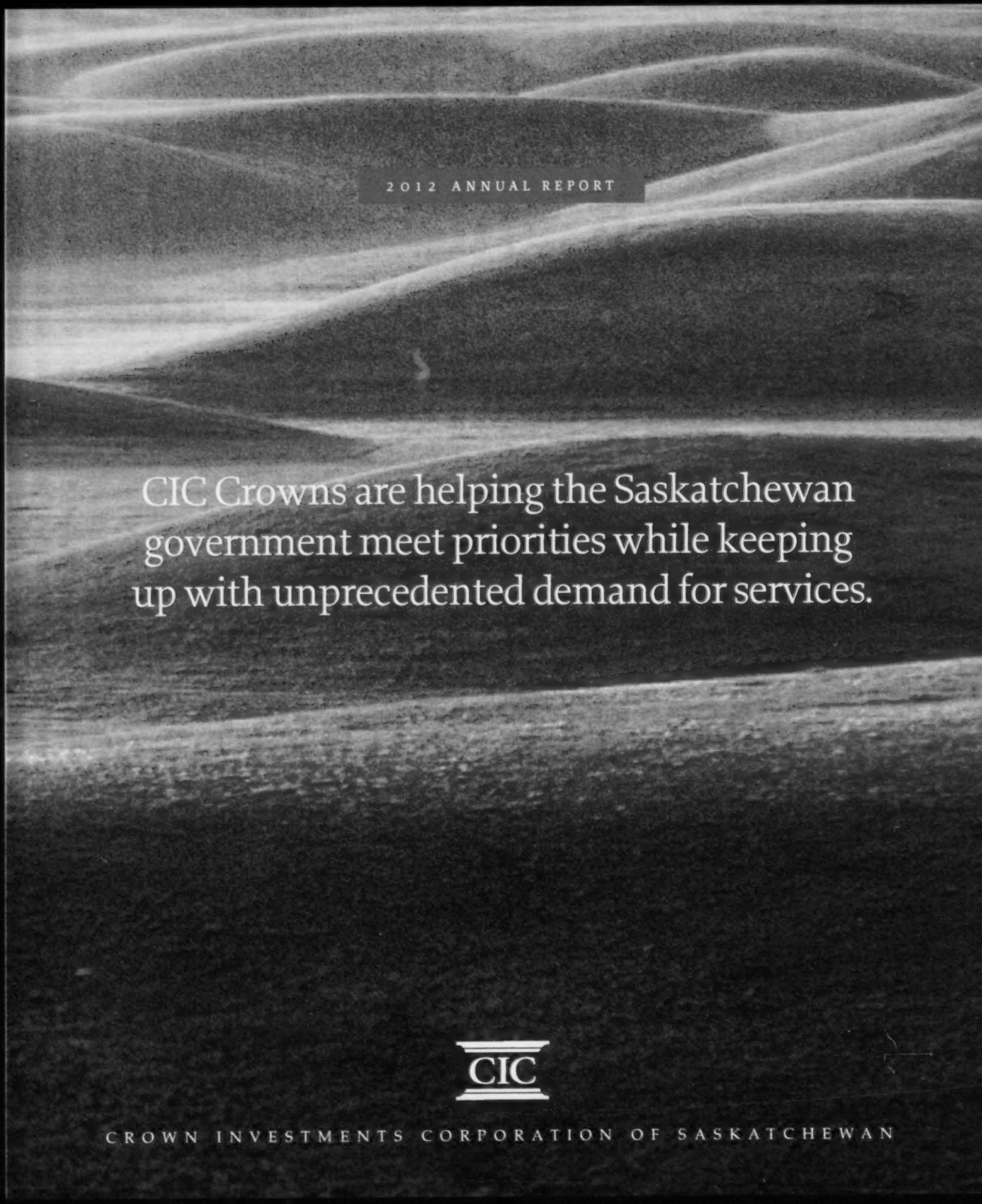
2012 ANNUAL REPORT
CIC Crowns are helping the Saskatchewan government meet priorities while keeping up with unprecedented demand for services.
CIC
CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Cover: *Rolling prairie hills at sunset, Old Man on His Back Prairie and Heritage Conservation Area, Eastend, Saskatchewan, Canada*

Cover photo: Shannon Stirrett / shannonphoto.ca
Design: Bradbury Branding & Design / www.bradburydesign.com

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Letter of Transmittal

Government of Saskatchewan

Regina, Saskatchewan
March 27, 2013

To Her Honour
The Honourable Vaughn Schofield, S.O.M., S.V.M.,
Lieutenant Governor of Saskatchewan

Madam:

I have the honour to submit herewith the thirty-fifth Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 2012, in accordance with *The Crown Corporations Act, 1993*. The Consolidated and Separate Financial Statements included in this Annual Report are in the form approved by the Treasury Board and have been reported on by our auditors.

Respectfully submitted,

Donna Harpauer

Donna Harpauer
Minister of Crown Investments

Minister's Message

Saskatchewan's Crown corporations enjoyed another strong year supporting economic growth in 2012, with earnings exceeding budget and infrastructure investments reaching record levels.

CIC met its 2012 commitments for a dividend to the General Revenue Fund to help the Government improve outcomes in health care and education, while building safe communities and improving the quality of life. The Crowns were able to provide this help while still maintaining healthy balance sheets.

The Crowns are also doing their part to help Government meet the objectives of the Saskatchewan Plan for Growth. They are improving infrastructure to prepare for further economic growth and to meet the unprecedented demand for services they are now experiencing. The Crowns are working hard on major capital projects, both in replacing aging infrastructure and building new capacity to meet the challenges of growth.

Work continues on SaskPower's Boundary Dam Integrated Carbon Capture and Sequestration project which is expected to begin commercial operation in 2014. This installation will not only produce more than 100 MW of clean power, it will capture one million tonnes of carbon dioxide every year. SaskEnergy continues to expand its distribution system while maintaining a focus on system integrity and safety. SaskTel is making great strides in building out its Long Term Evolution (LTE) network, which represents a new generation of technological capacity, with data speeds of up to five times that of 4G.

The Crowns are balancing the need for these new investments with an ongoing emphasis on efficiency and finding new ways to deal with the demand growth. Since 2007, SaskPower, SaskTel and SaskEnergy have each made well over 30,000 new connections. The Crowns are now moving to streamline the installation of services in new subdivisions by adopting a more co-ordinated approach with private land developers.

The past year was also one of preparing for growth at the Information Services Corporation. Legislation was introduced in the fall of 2012 that will allow for the sale of shares in the company, a move that will allow it to seek outside investment and provide for more opportunities here in Saskatchewan.

With a couple of major exceptions, the weather treated Crown business better in 2012 than in the previous year. Fewer storms overall meant lower claims and record earnings for SGI. However, an unusual storm that swept through central Saskatchewan created huge challenges for SaskPower in replacing downed transmission towers. The employees at SaskPower rose to that occasion in impressive fashion, working around the clock in difficult circumstances to restore power as quickly as possible.

Across the Crown sector, employees worked long and hard to meet the challenges of 2012. I would like to thank all of them for their professionalism, perseverance and enthusiasm, which resulted in another successful year.

Donna Harpauer

Donna Harpauer
Minister of Crown Investments

President's Message

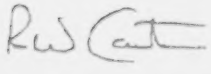
Saskatchewan's Crown corporations made record investments of $1.5 billion in infrastructure in 2012. This investment allowed them to meet the demands of record high Provincial population and prepare for future economic and population growth.

The Crowns must maintain strong balance sheets in order to sustain this growth. Crown debt remains at reasonable levels, with a consolidated debt ratio of 53.9 per cent, which reflects that individual Crowns benchmark well against accepted industry standards. All of the Crowns have continued to focus on efficiencies in order to control costs and to maintain rates at competitive levels. Overall, they remain in a strong financial position and have the ability to meet whatever challenges lie ahead.

Consolidated net earnings amounted to $478.9 million which produced a return on equity of 11.2 per cent. Earnings were higher than budgeted and $28 million higher than 2011 results, due primarily to better than expected performance at SGI and SaskEnergy, offset by lower earnings at SaskPower and SaskTel. The earnings picture allowed CIC to pay a total dividend of $280.1 million to the General Revenue Fund to meet Government priorities. Throughout 2012, the Crowns focused on preparing for future growth through innovation, as well as infrastructure renewal and expansion, key components of the Saskatchewan Plan For Growth. This includes new capacity at SaskPower and SaskEnergy, as well as meeting the demand for new Long Term Evolution technology and fibre optics at SaskTel.

In 2012, SaskEnergy connected a record 7,400 new customers, almost twice its historical annual average. Between 2013 and 2017, the company expects to invest approximately $1 billion in capital investments related to customer growth, system integrity and supply acquisition, among other things. SaskPower made more than 10,400 new connections during the year. At SaskTel, the company is in the midst of a major project to replace cable with high capacity fibre optics throughout the Province. In 2012, more than 40,000 homes were serviced through its *infiNET*™ program. The same trend in demand was evident at SaskWater, which delivered 40 million cubic metres of water to customers in 2012, a 17 per cent increase over the previous year. It also signed two major supply agreements with new potash mines, one with K+S Potash Canada and another with BHP Billiton.

Looking forward, the Crowns will continue to meet the needs of a growing Province while maintaining a strong financial position and managing debt prudently. We expect to see the strong results of recent years continue in 2013. Once again, I commend the hard work of our Crown employees and thank them for their dedication.



R.W. (Dick) Carter, FCA
President & CEO

Corporate Information

In 2012, CIC Crowns prepared for future growth through innovation, as well as infrastructure renewal and expansion.

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Corporate Overview

CORPORATE PROFILE

The Crown Investments Corporation of Saskatchewan (CIC) is the financially self-sufficient holding company for 9 Saskatchewan commercial Crown corporations and 5 wholly-owned subsidiaries. During the year, CIC through its wholly-owned subsidiary, CIC Apex Equity Holdco Ltd. divested of its interest in Apex Investment Limited Partnership.

As a holding company, CIC develops and implements broad policy initiatives, directs investments, and provides dividends to the Provincial Government's General Revenue Fund (GRF). CIC is mandated to exercise supervisory powers over its subsidiary Crown corporations, in addition to operating as a Crown corporation itself. As of December 31, 2012, the subsidiary Crown corporations and wholly-owned subsidiaries included:

UTILITIES:

Saskatchewan Power Corporation (SaskPower)

Saskatchewan Telecommunications (SaskTel)

SaskEnergy Inc. (SaskEnergy)

Saskatchewan Water Corporation (SaskWater)

Information Services Corporation of Saskatchewan (ISC)

INVESTMENT AND ECONOMIC GROWTH:

Saskatchewan Opportunities Corporation (SOCO)

CIC Asset Management Inc. (CIC AMI)

Saskatchewan Immigrant Investor Fund Inc. (SIIF)

INSURANCE:

Saskatchewan Government Insurance (SGI)[1]

TRANSPORTATION:

Saskatchewan Transportation Company (STC)

ENTERTAINMENT:

Saskatchewan Gaming Corporation (SGC)

OTHER:

Gradworks Inc.

First Nations & Métis Fund Inc. (FNMF)

CIC Economic Holdco Ltd. (Saskatchewan Entrepreneurial Fund Joint Venture)

1 SGI administers the Saskatchewan Auto Fund which is not a subsidiary Crown corporation, however summarized operating results are provided in CIC's Consolidated Management Discussion and Analysis.

Corporate Overview

PURPOSE

CIC provides oversight on behalf of the shareholder for the Crown sector by:

- Providing strategic shareholder direction and managing Crown performance;
- Promoting best practices in Crown sector governance and disclosure; and
- Developing and implementing broad policy initiatives and administering select Government programs.

VISION

To be the corporate leader, guiding and inspiring the most innovative Crown sector in Canada.

MISSION

As the holding company, we deliver strategic shareholder direction to Saskatchewan's Crown corporations, and pursue initiatives that contribute to Saskatchewan's economic success.

VALUES

Integrity

We are trustworthy, respectful of others, and accountable. We honour our commitments and conduct our business ethically.

Social Responsibility

We demonstrate good corporate citizenship through volunteerism, diversity, sponsorship and environmental responsibility.

Excellence

We hold ourselves to the highest business standards, striving to achieve our full potential and inspiring others to attain theirs.

Leadership

We provide guidance and inspiration, valuing the contributions of our employees and partners. We work together to achieve our common objectives.

CORPORATE MANDATE

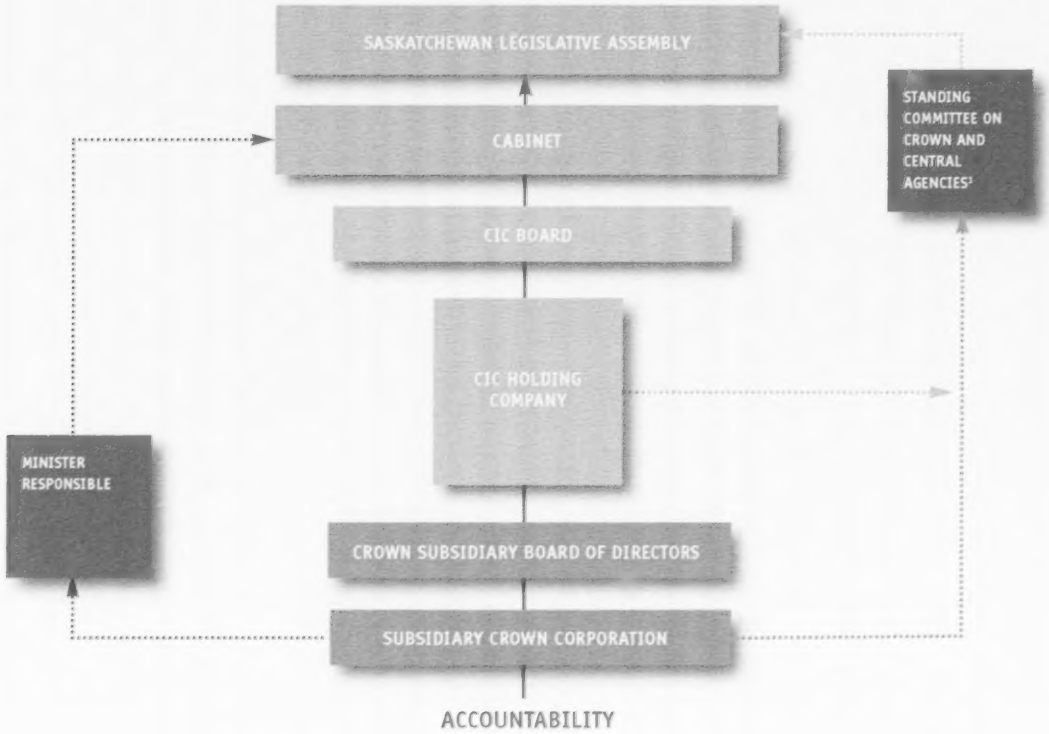
CIC's governing legislation and its mandate are defined by *The Crown Corporations Act, 1993*.

(a) CIC is the holding company for all subsidiary Crown corporations exercising supervisory powers granted in the interests of all Saskatchewan residents.
(b) CIC is the agency responsible for making and administering investments on behalf of the Government of Saskatchewan.

FINANCIAL & PUBLIC ACCOUNTABILITY

The following chart depicts the accountability structure of Saskatchewan Crown corporations to both the Government and to the all party committee of the Legislative Assembly, the Standing Committee on Crown and Central Agencies.

- The Government (as the shareholder and mandating body for the Crown corporations);
- The CIC Board (as the representative of the shareholder to ensure mandates and activities are consistent with the interest and intent of Government); and
- The Crown corporation Boards of Directors (as the stewardship bodies with fiduciary duty to the Crowns' operations).



[1] The Standing Committee on Crown and Central Agencies considers matters relating to CIC and its subsidiaries. Reports of the Provincial Auditor, as they relate to CIC and its subsidiaries, are permanently referred to the Standing Committee on Crown and Central Agencies.

Governance

BOARD OF DIRECTORS

The CIC Board of Directors consists of elected Government officials appointed to the Board by the Lieutenant Governor-in-Council pursuant to *The Crown Corporations Act, 1993*, and as such, all are non-independent directors. The CIC Board makes decisions in its own right, provides advice and recommendations to Cabinet; and functions as a key committee to the Provincial Cabinet.

The CIC Board oversees the strategic direction and risk management of the CIC Crown sector. The Board is guided in this role by overall Government direction provided in the annual Provincial Budget Summary. In 2012, the Government's strategic vision, Keeping the Saskatchewan Advantage[1], set out a framework for achieving continued economic growth while maintaining a high quality of life and efficient delivery of services. The Board's key responsibility is to ensure that all direction provided to the Crown sector is aligned with the Government's vision.

GOVERNMENT DIRECTION

Saskatchewan will be the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life.

The Government identified four goals to set direction for the Province:

- Sustaining growth and opportunities for Saskatchewan people;
- Improving our quality of life;
- Making life more affordable; and
- Delivering responsive and responsible government.

CIC BOARD RESPONSIBILITIES

The CIC Board is committed to the Government's vision and ensuring alignment of the CIC Crown sector through the following activities:

- Sets strategic priorities for the Crown sector;
- Oversees and ensures that risks are properly managed and appropriate authorities and controls are in place;
- Provides strategic oversight to subsidiary Crown corporations by reviewing annual business plans, setting performance expectations, allocating capital within the sector, as well as monitoring and evaluating performance; and
- Provides strategic oversight to CIC management by setting corporate strategic direction, identifying risks, approving CIC's business plans and budgets, and monitoring and evaluating corporate performance.

BOARD COMMITTEES

The CIC Board does not have separate nominating, compensation or audit and finance committees.

- The CIC Board members are appointed by the Lieutenant Governor-in-Council, therefore there is no nominating committee.
- The CIC Board acts as a compensation committee by approving an executive compensation framework (page 30) which applies to the executives of CIC and all subsidiary Crown corporations. The Chair of the CIC Board provides oversight of CIC's CEO and evaluates the annual performance of the CEO.
- The CIC Board acts as an audit and finance committee by approving CIC's financial statements, and meeting with external auditors and the Provincial Auditor without management present.

1 Saskatchewan Provincial Budget Summary – 2012-13

HONOURABLE DONNA HARPAUER, CHAIR

Minister of Crown Investments
Minister Responsible for Saskatchewan Government Insurance
Minister Responsible for Saskatchewan Liquor and Gaming Authority
Saskatchewan Development Fund Corporation
Saskatchewan Opportunities Corporation

- Ms. Harpauer was first elected to the Legislature in 1999, was re-elected in 2003, 2007 and again in 2011.
- Ms. Harpauer has served as the Minister of Social Services, Minister of Education and was appointed Minister of Crown Investments in May of 2012.
- Ms. Harpauer attended Kelsey Institute in Saskatoon where she earned her Medical Laboratory Technologist certificate and interned at the Royal University Hospital in the Microbiology Lab from 1978 – 1983.

HONOURABLE DON MCMORRIS, VICE-CHAIR

Minister of Highways and Infrastructure
Minister Responsible for Saskatchewan Telecommunications
Minister Responsible for Saskatchewan Transportation Company
Minister Responsible for Information Services Corporation of Saskatchewan

- Mr. McMorris was originally elected in 1999, and re-elected in 2003, 2007 and again in 2011.
- Mr. McMorris served as Minister of Health from 2007 until May of 2012 when he was appointed Minister of Highways and Infrastructure.
- Prior to his election to the Saskatchewan Legislature, Mr. McMorris worked with the Saskatchewan Safety Council, the Prairie View School Division and managed the family farm in the Lewvan area.

HONOURABLE BILL BOYD, BOARD MEMBER

Minister of the Economy
Minister Responsible for the Global Transportation Hub
Minister Responsible for Saskatchewan Power Corporation
Saskatchewan Apprenticeship and Trade Certification Commission
Enterprise Saskatchewan
Innovation Saskatchewan
Uranium Development Partnership
Saskatchewan Research Council

- Mr. Boyd was originally elected in the Kindersley constituency in 1991 as a Progressive Conservative MLA, and became the leader of that party in 1994. He was re-elected in 1995.
- In 1997, he and three of his colleagues joined with four Liberal MLAs and founded the Saskatchewan Party. Mr. Boyd was re-elected in 1999, 2007 and 2011 in the Kindersley constituency.
- Mr. Boyd operates a pedigreed seed feed farm near Eston, Saskatchewan.

PAUL MERRIMAN, BOARD MEMBER

MLA, Saskatoon Sutherland

- Mr. Merriman was first elected to the Saskatchewan Legislature as MLA for Saskatoon Sutherland in the 2011 Provincial election.
- Prior to the election, Mr. Merriman was the Executive Director of the Saskatoon Food Bank and Learning Centre, working diligently to increase funding and decrease costs.
- Before his employment with the Food Bank, Mr. Merriman worked with SaskEnergy for eight years setting up a Province-wide salvage operation of used material that generated corporate savings for SaskEnergy in excess of $8 million. He has also operated two small businesses.

LAURA ROSS, BOARD MEMBER

MLA, Regina Qu'Appelle Valley

- Ms. Ross was elected to the Saskatchewan Legislature as MLA for Regina Qu'Appelle Valley in 2007 and 2011.
- Ms. Ross was appointed Legislative Secretary to the Minister of Health, and was also Minister of Government Services. She currently serves on the Legislature's Standing Committee on Human Services and she is Legislative Secretary of Creative Industries to the Minister of Parks, Culture and Sport.
- Ms. Ross attended the University of Regina where she obtained a Bachelor of Arts in geography and sociology. For more than twenty years, she was a licensed realtor in Regina specializing in residential properties.

BOARD OF DIRECTORS – TENURE

During 2012, there were 17 Board meetings held by the CIC Board.

- CIC Board members are provided with meeting materials in advance of meetings;
- As a standing agenda item for Board meetings, the Board holds in-camera sessions without management present and where all CIC Board members can participate; and
- Board members do not receive remuneration (retainers or per diems) for their participation on the CIC Board.

Director	Position	Term on the Board
Honourable Donna Harpauer	Chair	May 25 to December 31, 2012
Honourable Don McMorris	Vice-Chair	May 25 to December 31, 2012
Honourable Bill Boyd	Member	January 1 to December 31, 2012
Paul Merriman, MLA	Member	January 1 to December 31, 2012
Laura Ross, MLA	Member	May 25 to December 31, 2012
Honourable Tim McMillan	Chair	January 1 to May 24, 2012
Honourable Rob Norris	Member	January 1 to May 24, 2012
Russ Marchuk, MLA	Member	January 1 to May 24, 2012

Organizational Overview

OPERATING DIVISIONS

CIC reorganized its divisional structure during 2012, which resulted in the dissolution of the Crown Sector Initiatives Division. Due to this reorganization, responsibilities for the remaining strategic economic development projects were transferred to other areas of government.

At year-end 2012, CIC had 63 positions within its five divisions:

- President's Office;
- Finance & Administration;
- Human Resource Policy, Governance & Legal;
- Asset Management; and
- Capital Pension & Benefits Administration.

PRESIDENT'S OFFICE	The President's Office is responsible for the overall direction of CIC. It also includes the Communications and Human Resource Units.
FINANCE & ADMINISTRATION	The Finance & Administration Division provides analysis and recommendations to the CIC Board on a wide range of Crown sector business issues. Specifically, the Division supports: • Strategic shareholder direction to the Crown sector and internal corporate planning; • Oversight of Crown corporation performance management and capital allocation plans; • Sector-wide financial reporting and forecasting; • Management of CIC's budget and financial transactions, including cash and debt positions; • Internal audit function for smaller subsidiary Crown corporations; and • Corporate administration services and information management.
HUMAN RESOURCE POLICY, GOVERNANCE & LEGAL	The Human Resource Policy, Governance & Legal Division provides legal services to CIC, strategic advice, analysis and support on sector-wide matters on human resources and broad policy issues to the CIC Board and management, as well as corporate secretary services and leading edge training and development to Crown Boards.
ASSET MANAGEMENT	The Asset Management Division's mandate is to prudently manage and divest an existing portfolio of investments optimizing financial outcomes.
CAPITAL PENSION & BENEFITS ADMINISTRATION	The Capital Pension & Benefits Administration Division manages and administers the multi-employer Capital Pension Plan and group benefits program in accordance with the applicable regulations and laws. CIC has an oversight and sponsorship role as it pertains to the Capital Pension Plan. CIC is also responsible for holding, in trust, the pension plan's funds for the benefit of members and any other persons entitled to benefits pursuant to the plan.

EXECUTIVE

R. W. (DICK) CARTER, FCA

President and CEO

Dick Carter, FCA, is a retired partner of KPMG, Chartered Accountants, where he worked for more than thirty years in cities across the west – Regina, Saskatoon, Winnipeg and Edmonton. From 2007 to 2010, he was Chief of Staff to the Saskatchewan Minister of Finance. Dick became the President and CEO of CIC in August 2010.

Dick's education and professional credentials include Fellow, Institute of Chartered Accountants of Saskatchewan (1998), Queens University, Executive Program (1996), Member – Institutes of Chartered Accountants of Saskatchewan and Alberta, Bachelor of Commerce – University of Saskatchewan and Chartered Director (McMaster University/Conference Board of Canada).

Dick has also been very involved in the communities where he has lived. In Edmonton, he was involved with the Investment Committee at the Grey Nuns of Alberta, Regina and Manitoba as well as a Board member and Chair of the Finance and Audit Committee with the Caritas Health Group. While in Winnipeg, Dick was a Board member and Chair of the Audit Committee and member of the Management Operations Committee at the Royal Winnipeg Ballet. During his time in Saskatoon he was a Board member with the Sherbrooke Community Centre, Board and committee member with the Saskatoon Housing Authority and Board and executive committee member with the Saskatoon Inner City Pre-School Foundation.

BLAIR SWYSTUN
Senior Vice-President & Chief Financial Officer

Finance & Administration

Blair Swystun is a Chartered Financial Analyst charter holder and has a Master of Business Administration. He has more than 30 years of government experience and has been at CIC since 1996. His public service career also included various positions at Saskatchewan Finance. Blair has been a member of numerous boards and maintains memberships in several professional associations.

DOUG KOSLOSKI
Senior Vice-President & General Counsel

Human Resource Policy, Governance, & Legal

Doug Kosloski is a lawyer and has a Bachelor of Commerce and a Bachelor of Arts. He has 18 years of service with the Government of Saskatchewan, joining CIC in 1998. He sits on a number of boards and investment funds on behalf of CIC.

RAE HAVERSTOCK
Vice-President

Asset Management

Rae Haverstock has a Bachelor of Education with majors in Economics and Accounting, and 38 years of experience with the Government of Saskatchewan. Since 2008, Rae has performed in a joint capacity as Assistant Deputy Minister - Saskatchewan Finance, and Vice-President, CIC, leading the divestiture of a portfolio of investments.

VAN ISMAN
Vice-President Special Projects

President's Office

Van Isman holds a Bachelor of Arts and a Master of Business Administration. After 14 years of entrepreneurial experience and 4 years as the head of business programs for SIAST in Regina, Van joined Government in 1996 and CIC in 2012. Van's public service includes, CEO, Wascana Centre Authority, and Deputy Minister, Ministries of Municipal Affairs; Tourism, Parks, Culture and Sport; and the Office of the Provincial Secretary.

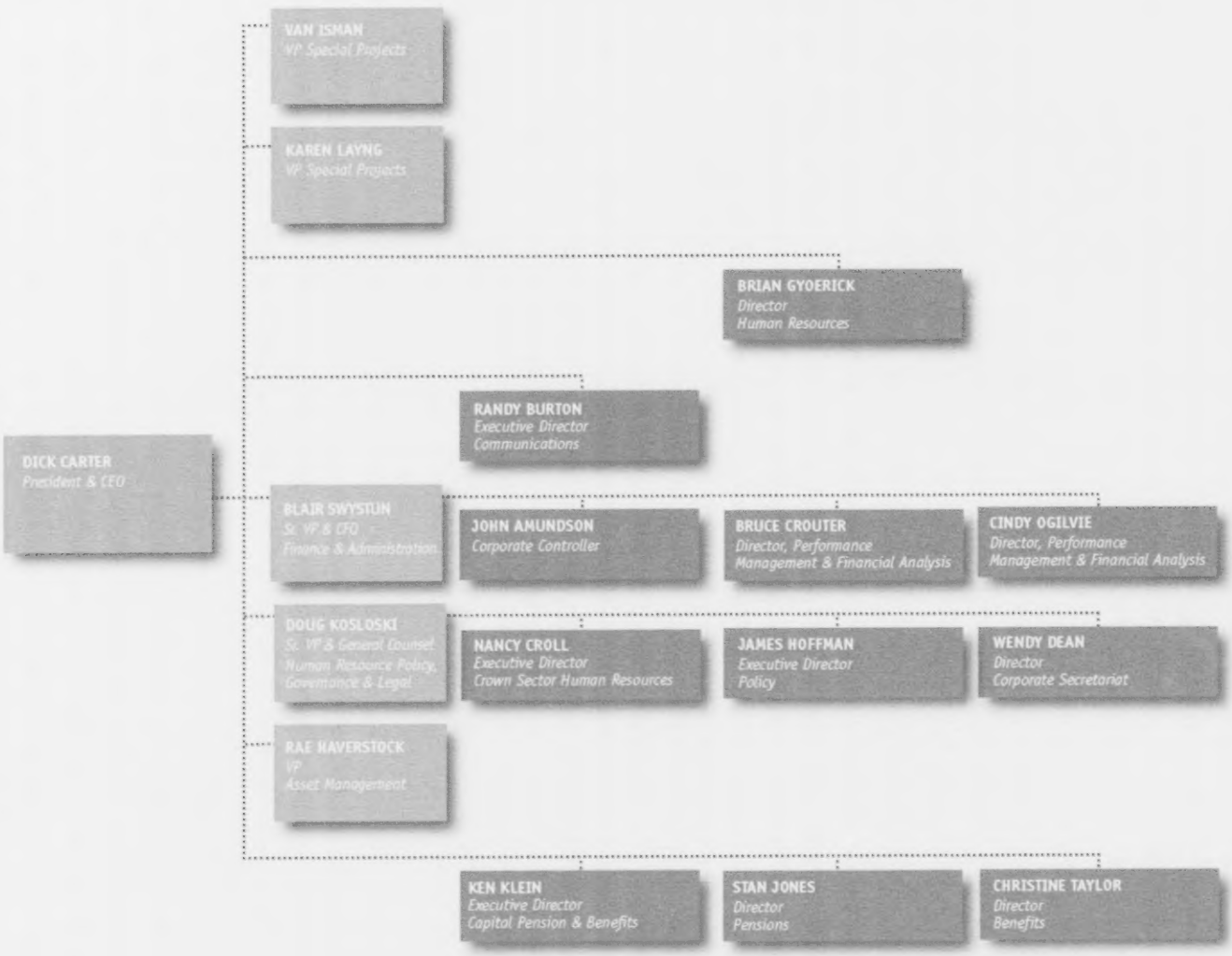
KAREN LAYNG
Vice-President Special Projects

President's Office

Karen has a Master of Arts in Political Studies. Karen has had an extensive career in Executive Government serving as Deputy Minister of Finance and, Senior Cabinet Advisor, Executive Director of Health Policy and Economics and Executive Director of Primary Health Services. Karen joined CIC during 2012 and has been seconded to SaskTel.

Organizational Overview

EXECUTIVE & MANAGEMENT



CORPORATE CHARTER

CIC's Corporate Charter defines expectations of CIC employees, guides their behavior and clarifies their obligations and responsibilities. CIC employees participated in developing CIC's Corporate Charter and drafting CIC's defining principles. CIC's Charter is designed to encourage and reinforce teamwork, co-operation, high productivity and effective decision-making. CIC's Charter embraces the following guiding principles:

GUIDING PRINCIPLES FOR CIC'S CORPORATE CHARTER

DEMOCRATIC PRINCIPLES	PROFESSIONAL PRINCIPLES	ETHICAL PRINCIPLES	PEOPLE PRINCIPLES
We abide by our responsibilities as established in *The Crown Corporations Act, 1993* and assist the CIC Board in serving the common good.	We are committed to: excellence and merit; providing objective and impartial advice to the Government; and serving the people of Saskatchewan.	Honesty, integrity, and courage guide our actions and decisions. We work to achieve the goals of the Corporation and enhance its reputation in the Saskatchewan and global community.	We trust our colleagues, respect their needs and aspirations, recognize their contributions and commit to working as a team in fulfilling the Corporation's goals and objectives; we draw strength and creativity from the diversity of Saskatchewan society.

CORPORATE POLICIES

CIC strives to maintain the highest legal and ethical standards in all its business practices. Each employee is expected to act responsibly and with integrity and honesty, and to comply with CIC's code of conduct and its underlying policies and objectives.

CIC operates under a complete, regularly updated and approved set of corporate policies and procedures.

CIC requires all employees, including new employees at time of hire, to annually confirm in writing that they have read, understand and agree to comply with the policies relating to employee conduct.

- Employee Conduct Policy;
- Personal Information Privacy Policy; and
- Internet, E-mail and Computer Use Policy.

Operating Context

CIC is the financially self-sufficient holding company for 9 subsidiary commercial Crown corporations and 5 wholly-owned subsidiaries. In its oversight role of the Crown sector, CIC is responsible for the development and oversight of broad policy initiatives, directing investment, and providing dividends to the Provincial Government's General Revenue Fund.

CIC oversees and manages a comprehensive framework designed to strengthen governance, performance and accountability of subsidiary Crowns. CIC also assists subsidiary Crown Boards in discharging their responsibility of overseeing and directing the management of the Crowns. CIC is committed to implementing governance, enterprise risk management, and reporting and disclosure practices consistent with those of publicly-traded companies, where such practices can reasonably be applied to the public sector. Specifically, CIC provides oversight on behalf of the shareholder for the Crown sector by:

- Providing strategic shareholder direction and Crown sector performance management;
- Promoting best practices in Crown sector governance and disclosure; and
- Developing broad policy initiatives and administering select Government programs.

SHAREHOLDER DIRECTION & PERFORMANCE MANAGEMENT

CIC communicates shareholder direction to its subsidiary Crown corporations and monitors their performance against targets and measures approved by the CIC Board. The Strategic and Performance Management Framework depicted on the following page demonstrates how strategic direction is relayed and performance is managed in the Crown sector.

STRATEGIC SHAREHOLDER DIRECTION

The first stage in the process is the development of the Crown Sector Strategic Priorities, led by CIC and reviewed and validated by the CIC Board. The Crown Sector Strategic Priorities articulate shareholder expectations and provide medium to long-term direction to the Crown sector.

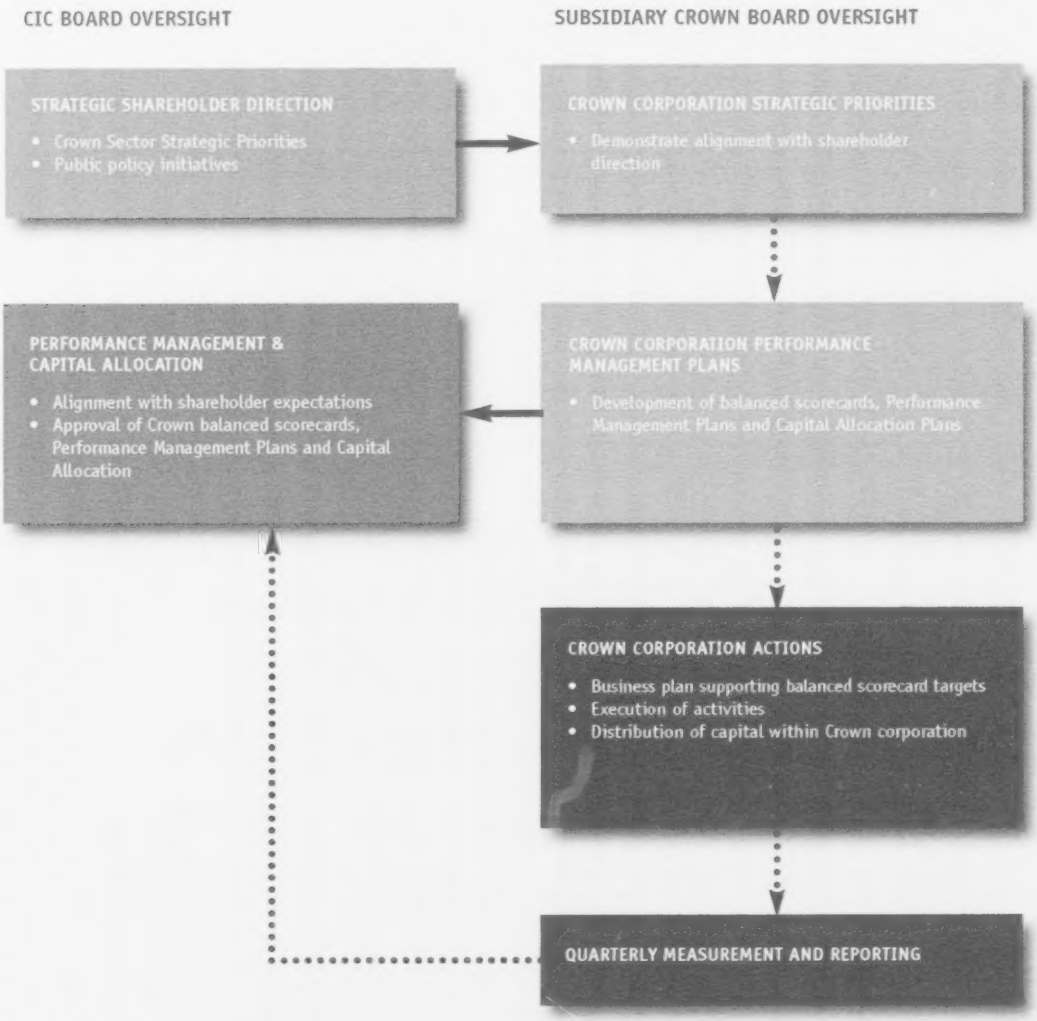
SUBSIDIARY CROWN CORPORATION PLANS

The second stage is the development of the subsidiary Crowns' Corporate Strategic Plans, demonstrating alignment to the shareholder direction contained within the Crown Sector Strategic Priorities. Each subsidiary Crown then prepares a comprehensive Performance Management Plan which includes a Balanced Scorecard with measures and targets that link to the broad strategic directions established in the Crown Sector Strategic Priorities and its Corporate Strategic Plan. Performance Management Plans are prepared by Crown management and reviewed by subsidiary Crown Boards.

PERFORMANCE MANAGEMENT APPROVAL AND REPORTING

The third stage is approval of subsidiary Crowns' Performance Management Plans by the CIC Board. Every year, the CIC Board reviews and approves each Crown's Performance Management Plan for the upcoming year. These plans are monitored throughout the year, with quarterly reviews and reports submitted to the CIC Board. In addition to approving the performance objectives, the CIC Board determines the capital allocation among Crown corporations for reinvestment, debt management and dividends.

CIC'S STRATEGIC AND PERFORMANCE MANAGEMENT FRAMEWORK


CIC BOARD OVERSIGHT
SUBSIDIARY CROWN BOARD OVERSIGHT
STRATEGIC SHAREHOLDER DIRECTION
• Crown Sector Strategic Priorities
• Public policy initiatives
CROWN CORPORATION STRATEGIC PRIORITIES
• Demonstrate alignment with shareholder direction
PERFORMANCE MANAGEMENT & CAPITAL ALLOCATION
• Alignment with shareholder expectations
• Approval of Crown balanced scorecards, Performance Management Plans and Capital Allocation
CROWN CORPORATION PERFORMANCE MANAGEMENT PLANS
• Development of balanced scorecards, Performance Management Plans and Capital Allocation Plans
CROWN CORPORATION ACTIONS
• Business plan supporting balanced scorecard targets
• Execution of activities
• Distribution of capital within Crown corporation
QUARTERLY MEASUREMENT AND REPORTING

PROMOTING BEST PRACTICES IN CROWN SECTOR GOVERNANCE

CIC works with its subsidiary Crown corporation Boards of Directors to assist them to adapt and implement leading corporate governance practices and standards as applicable to a public enterprise. Related to this, CIC:

- delivers centralized corporate secretary and governance advisory services to the Crown Boards;
- supports Boards in identifying director skill sets required to function effectively, assess and improve performance; and
- sponsors a chartered director certification program to enhance overall Board skills.

MANAGEMENT CERTIFICATION OF FINANCIAL STATEMENTS

Since 2009, CIC and its subsidiary Crown corporations have undertaken CEO/CFO certification of financial statements. Crown sector CEO/CFO certification is similar to the certification policies implemented by the Canadian Securities Administrators on publically listed companies.

CIC and its subsidiaries are one of the first Government organizations to implement a certification policy. CIC is continuing to ensure that its Crown sector follows best practice for publicly accountable companies.

ENTERPRISE RISK MANAGEMENT (ERM)

In 2010, CIC implemented an ERM minimum standards policy. CIC's minimum standards for risk management are consistent with ERM leading practices. ERM involves:

- Identifying risks;
- Analyzing and quantifying risk impact;
- Assessing and prioritizing risks;
- Establishing strategies for controlling risk; and
- Monitoring and reporting.

The subsidiary Crown corporations are expected to participate in regular, formal risk management reporting both internally, and to CIC. CIC reports comprehensively on risk management for each Crown corporation to the CIC Board.

ACCOUNTABILITY AND TRANSPARENCY

CIC has developed a comprehensive performance evaluation system applicable to each of its subsidiary Crown Boards. Evaluations are conducted on a two-year cycle, with some aspects of performance evaluated annually. In 2012, all operational Crown Boards implemented performance evaluations of the Board Chair and the Board as a whole. Evaluations are conducted by survey, and follow-up interviews are done with individual directors, where necessary to clarify the responses. Each Crown Board is responsible for developing a plan to act on the results of the performance evaluations. A summary of the evaluation results is shared with CIC.

COMMUNICATION OF SHAREHOLDER EXPECTATIONS

Open, timely and reliable communication between the shareholder and each Crown Board is essential to a successful governance framework. CIC and its subsidiary Crown corporations have initiated several effective communication channels, including:

- Regular meetings between the Chairs of the Crown Boards and senior CIC officials to discuss shareholder priorities and share information regarding matters of mutual interest;
- Meetings with the Chairs of Committees of the Crown Boards, as required, to discuss initiatives and emerging trends that will impact the Committee's area of responsibility;
- Monthly reports from the Crown Board Chairs to the CIC Board highlighting items of significance considered at the Board level, major Crown initiatives, and significant corporate risks; and
- Meetings of the CIC President & CEO with the Presidents and Boards of subsidiary Crown corporations.

BOARD PROFESSIONAL DEVELOPMENT

CIC is committed to providing the members of its subsidiary Crown Boards with the education necessary to effectively discharge their responsibilities, and has provided a training program to its Boards since 1998. In 2009, CIC began offering The Directors College Chartered Director certification program to directors serving on CIC subsidiary Crown corporation Boards. This joint initiative of the Conference Board of Canada (CBoC) and McMaster University can lead to designation as a Chartered Director for individuals who complete all of the program requirements. Participation is limited to 30 individuals per module. The program is voluntary, but has been well-received. During 2012, 16 CIC subsidiary Crown Board members have received a Chartered Director designation, while several more have partially or fully completed the course requirements but have not yet challenged the exam. The program is not being offered in 2013, as the majority of directors interested in participating have already completed the modules.

PROMOTING BEST PRACTICES IN CROWN SECTOR DISCLOSURE

CONFERENCE BOARD OF CANADA GOVERNANCE INDEX SURVEY

The CBoC maintains a 30-year database that allows Boards to benchmark their performance and governance practices against those of selected leading comparator Boards in the public and private sectors in Canada (Governance Index). CIC has used the CBoC Governance Index to gain an external perspective on the governance practices of its subsidiary Crown Boards. In previous surveys, the ratings achieved by CIC's Crown Boards have surpassed those of all other Boards in the public and private sector whose ratings were recorded in the CBoC's database. CIC initiated its fifth Governance Index survey in 2011, with a 96% response rate. The CBoC changed its Governance Index rating scale in 2009, from a possible score of 1 to 20 (the historical scale) to a possible score of 1 to 100. In 2011, CIC Crown Boards achieved an overall rating of 78 out of 100, exceeding their rating of 74 in 2009, and placing them in the high governance ranking. On the historical scale, CIC subsidiary Crown Boards achieved an equivalent Governance Index rating of 18.6 out of 20 in 2011, representing continued progress from a rating of 15 in 1999, 16.75 in 2001, 17 in 2005 and 17.33 in 2009. The next survey will be conducted in 2014.

CONFERENCE BOARD OF CANADA REPORTING AND DISCLOSURE REVIEW

On a two year cycle, CIC engages the CBoC to conduct a review of the reporting and disclosure of CIC and its subsidiary Crown corporations through their annual reports. The review is to:

- Update a best practices matrix to reflect the latest standards of reporting, accountability and governance of corporations in both the private and public sectors;
- Evaluate the disclosure and reporting of Saskatchewan's Crown corporations through a review of their annual reports against the best practices matrix; and
- Provide CIC with performance reports of each Crown corporation in comparison to the best practices matrix and relative to benchmarked comparable private companies and Crown corporations.

The most recent CBoC review of CIC's annual report was conducted in 2010 where CIC received a rating of "B" which was slightly below its "B+" target but improved from the B- received in 2008. Areas for further improvement include more detailed discussions on:

- Rationale for key metrics (page 24),
- CIC's ERM program (page 144),
- Stakeholder feedback mechanisms (page 28), and
- Executive compensation (page 30).

The next review will be conducted on the 2012 annual report which will be reflected in the 2013 Balanced Scorecard.

POLICY & PROGRAMMING ON BEHALF OF THE SHAREHOLDER

CIC's role includes centralized administration of select Government initiatives and programs including:

- Saskatchewan Immigrant Investor Fund Inc.;
- First Nations and Métis Fund Inc.;
- First Nations Business Development Program;
- Aboriginal Bursary Program;
- Gradworks Inc. (Intern Development Program);
- IPAC-CO_2 funding; and
- CIC is the plan sponsor for the Capital Pension Plan.

On June 25, 2012, CIC divested its investment in APEX Investment Limited Partnership. For further information on this transaction refer to the Management Discussion & Analysis on page 46.

SASKATCHEWAN RATE REVIEW PANEL

The Saskatchewan Rate Review Panel (Panel) advises the Government of Saskatchewan on rate applications proposed by SaskEnergy, SaskPower and the SGI Auto Fund. The Panel reviews each rate application and provides an independent public report on its opinion about the fairness and reasonableness of the rate change, while balancing the interests of the customer, the Crown corporation and the public. The Provincial Cabinet makes the final decision on rate change requests.

CIC acts as a liaison between the Panel and the Government as required. In this role, CIC may provide the Panel with assistance, guidance and oversight to fulfill its mandate. The members of the Panel during 2012 were:

- Kathy Weber, Chair
- Bill Barzeele, Vice-Chair
- Delaine Barber, Member
- Steve Kemp, Member
- Burl Adams, Member
- Lyle Walsh, Member
- Daryl Hasein, Member

For more information, see the Panel's web site at www.saskratereview.ca

CORPORATE SOCIAL RESPONSIBILITY

CIC is committed to operating in an ethical and responsible manner. CIC is active in the Saskatchewan community and through donations and sponsorships supports groups such as non-profit organizations and community clubs and activities. CIC further supports these groups by encouraging employee volunteerism. CIC is committed to engaging and enabling employees, and promotes continual professional development. CIC conducts a biennial survey to identify and develop strategies to further enhance employee morale and commitment to CIC.

CIC believes that its operations have a minimal impact on the environment however it strives to recycle materials and reduce its consumption of energy use. Through its strategic oversight role of the Crown sector, CIC prioritizes and supports research and development of innovative, renewable technologies and monitors Crowns' achievement of environmental regulatory standards.

2012 BALANCED SCORECARD

MEASURING CORPORATE PERFORMANCE

CIC utilizes a widely accepted performance measurement system known as the Balanced Scorecard. This system is used to establish, communicate and report on key corporate performance targets in a standardized and concise format, very similar to that of a report card. The Balanced Scorecard enables CIC to facilitate strategic execution, accelerate continuous performance improvement while creating greater internal and external accountability and transparency.

The Balanced Scorecard is therefore a means to articulate corporate strategy, motivate the organization to achieve desired targets and to enable the executive and the shareholder to monitor these results.

In terms of reporting, CIC provides its Board with quarterly progress reports on CIC's performance relative to targets in addition to the public annual reporting on past year results and future year forecasts.

CIC'S 2012 BALANCED SCORECARD PERSPECTIVES

CIC's 2012 Scorecard contains the following four perspectives:

- Crown Sector Oversight;
- Strategic Shareholder Initiatives;
- Asset Management / Divestiture; and
- CIC Internal Operations.

CROWN SECTOR OVERSIGHT

This perspective highlights CIC's value in leading Saskatchewan's Crown sector on behalf of the shareholder. CIC does this by communicating shareholder direction, establishing financial frameworks and performance management objectives, and by providing corporate governance guidance and support to the Crowns and their Boards of Directors.

CIC balances the relative priorities of providing an appropriate return to the people of Saskatchewan and protecting the financial flexibility of CIC and the Crown sector. CIC is committed to ensuring the Crown sector is more open and accountable, and providing a greater degree of public transparency in the results of the Crown sector's operations.

STRATEGIC SHAREHOLDER INITIATIVES

This perspective challenges CIC to understand and assess emerging issues by providing professional and timely advice to the shareholder. It captures CIC's role in implementing initiatives that support the Government's strategic objectives for the Crown sector.

ASSET MANAGEMENT / DIVESTITURE

This perspective deals with CIC's role in supporting and administering an effective divestiture of the CIC Asset Management Inc. investment portfolio, that optimizes financial and public policy outcomes on behalf of the shareholder.

CIC INTERNAL OPERATIONS

This perspective challenges CIC to develop and deploy those tools that enable the corporation to operate efficiently and achieve its goals.

It also recognizes CIC's commitment to report on the operations of CIC and its subsidiary Crowns and facilitate accountability and transparency. CIC continues to advance its reporting practices to ensure that information it provides to the CIC Board, the Legislature, and the public is timely, accurate and understandable.

BALANCED SCORECARD RESULTS – 2012

CROWN SECTOR OVERSIGHT

STRATEGIC OBJECTIVE		PERFORMANCE MEASURE	2012 TARGET	YEAR END RESULTS
Effective oversight of the Province's commercial Crown corporations on behalf of the shareholder	CS1	Performance assessment by CIC Board Chair	> 3.5 (5 point rating scale)	4.85
Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan	CS2	CIC dividend and equity repayments to the General Revenue Fund (GRF)	$423M • Up to $150M-regular dividend • $123M-special dividend ($120M SaskPower, $3M Innovation Agenda) • Up to $150M equity repayment	$280M $150M-regular dividend $130M-special dividend NIL (deferred by Treasury Board to January 2013)
	CS3	Consolidated ROE target	8.3%	11.2%
	CS4	Consolidated debt ratio	60.7%	53.9%
Advance best practice standards in the Crown corporations.	CS5	Governance rating: Benchmarking by the Conference Board of Canada	Non-reporting year of a 3 year cycle	Non-reporting year
	CS6	Reporting and disclosure rating: Benchmarking by the Conference Board of Canada	Non-reporting year of a 2 year cycle	Non-reporting year

Performance Indicator Key:

- Exceeds Target > 120%
- On Target 100%
- Slightly off Target < 100%
- Below Target < 80%
- Not Reported this Period

BALANCED SCORECARD RESULTS – 2012 (Continued)

STRATEGIC SHAREHOLDER INITIATIVES

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	2012 TARGET	YEAR END RESULTS
Implement key strategic public policy and programs as directed by the shareholder.	SS1 Support the Provincial Innovation Agenda	Transfer management of the establishment of an Institute for Nuclear Studies (Univ. of Sask.) to Innovation Saskatchewan	Completed
		Transfer project management of a major research cyclotron R&D Facility (Univ. of Sask.) to Innovation Saskatchewan	Completed
		Evaluate clean energy research and demonstration opportunities with Saskatchewan based research organizations	This project is not expected to proceed within CIC
	SS2 Report on Crown sector efficiency initiatives	Submit annual report to the CIC Board	Completed
	SS3 Support the provincial "Go Green" strategy and reduction of Crown sector GHG emissions	Annual reporting of Crown sector GHG emissions through The Climate Registry	Project cancelled – Crowns reporting independently through regulatory channels.
	SS4 Oversight of new public policy programs and initiatives:	Headstart Program – 300 units under construction	Exceeded target – 416 units under construction
		Aboriginal Bursary Program – 100 Bursaries	Below target – 63.5 bursaries awarded
		First Nations Business Development Program – 4 businesses to receive funds	On target – 4 investments in 2012

BALANCED SCORECARD RESULTS – 2012 (Continued)

ASSET MANAGEMENT / DIVESTITURE

STRATEGIC OBJECTIVE		PERFORMANCE MEASURE	2012 TARGET	YEAR END RESULTS
To prudently manage and divest the existing portfolio	AM1	Number of investments actively managed	16 investments (reduction of 7 from December 31, 2011)	17 investments actively managed at December 31, 2012 (reduction of 6 during 2012)
To monitor and report on returns achieved by the portfolio	AM2	Current assets to environmental liabilities ratio	1:1	2.6:1
	AM3	Proceeds from investment sales and loan repayments	$16.25M	$17.5M
	AM4	Distribution to CIC	Per CIC Board directive	$15M dividend

CIC INTERNAL OPERATIONS

STRATEGIC OBJECTIVE		PERFORMANCE MEASURE	2012 TARGET	YEAR END RESULTS
Advance best practices in CIC's reporting and disclosure	IC1	Meet financial and performance reporting requirements	Quarterly and annual reports released on time	On target
	IC2	Benchmarking by the Conference Board of Canada	Non-reporting year of a 2 year cycle	Non-reporting year
Prudent management and control of corporate resources	IC3	Operating expenditures	Within budget	Below budget
	IC4	Capital expenditures	Within budget	Below budget
	IC5	Staffing level	Within budget	Staffing levels are below 2012 budget
	IC6	Oversight of Capital Pension & Benefits	Implement governance protocol for Group Benefits Program	Completed on target
Promote employee and corporate success	IC7	Employee engagement	Non-reporting year of a 2 year cycle	Non-reporting year
	IC8	Employee enablement	Non-reporting year of a 2 year cycle	Non-reporting year

RATIONALE FOR SELECTION OF PERFORMANCE MEASURES

STRATEGIC OBJECTIVE	PM CODE	RATIONALE FOR SELECTION OF PERFORMANCE MEASURES (PM)
Effective oversight of the Province's commercial Crown corporations on behalf of the shareholder.	CS1	Provides for direct assessment by the CIC Board Chair (shareholder's representative) on the relative performance of the holding company in fulfilling the goals and targets set out annually by the shareholder.
Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan.	CS2	Provide an appropriate return to the shareholder in an amount directed by the shareholder.
	CS3	Indicates the level of profitability across the Crown sector by measuring Crown sector returns as a percentage of the equity in the Crown sector. Although the measure cannot be benchmarked to industry on a consolidated basis, results can be compared year over year.
	CS4	Indicates the level of financial flexibility in the Crown sector by measuring Crown sector debt as a percentage of capital (debt plus equity) in the Crown sector. Higher ratios indicate increased debt burden which may impair the Crown sector's ability to withstand downturns in revenues and still meet fixed payment obligations. Although the measure cannot be benchmarked to industry on a consolidated basis, results can be compared year over year.
Advance best practice standards in the Crown corporations.	CS5	Benchmarking governance to industry standards or best practices by an independent 3rd party ensures that CIC is measuring its performance in a consistent manner and to verifiable standards.
	CS6	Benchmarking financial reporting and disclosure to industry standards or best practices by an independent 3rd party ensures that CIC is measuring its performance in a consistent manner and to verifiable standards.
Implement key strategic public policy and programs as directed by the shareholder.	SS1	Identify CIC's current and ongoing role as directed by its shareholder in support of the Province's Innovation Agenda.
	SS2	To monitor Crown progress towards achieving Government's initiative on efficiency.
	SS3	Demonstrate CIC and the Crown sector priorities in support of a key Government environmental initiative.
	SS4	Focus on CIC's role in the leadership and oversight of key Government public policy programs and initiatives.

RATIONALE FOR SELECTION OF PERFORMANCE MEASURES

STRATEGIC OBJECTIVE	PM CODE	RATIONALE FOR SELECTION OF PERFORMANCE MEASURES (PM)
To prudently manage and divest the existing portfolio.	AM1	Reports progress towards fulfilling the shareholder mandate to divest the entire investment portfolio assets formerly held by Investment Saskatchewan Inc.
To monitor and report on returns achieved by the portfolio.	AM2	Measures the ability to fund its environmental liabilities from internal cash flow.
	AM3	Reports on progress toward achieving financial returns from the divestiture of the assets.
	AM4	Reports the return to the shareholder on an annual basis.
Advance best practices in CIC's reporting and disclosure.	IC1	Release of financial and performance reporting is governed by policy, and in some cases such as CIC's annual report, by legislation.
	IC2	Benchmarking to industry standards or best practices by an independent 3rd party ensures that CIC is measuring its performance in a consistent manner and to verifiable standards.
Prudent management and control of corporate resources.	IC3	CIC is given the authority to make expenditures within the operating budget as approved annually by the CIC Board of Directors.
	IC4	CIC is given the authority to make expenditures within the capital budget as approved annually by the CIC Board of Directors.
	IC5	CIC is given the authority of maintaining staffing levels within the budget and guidelines as approved annually by the CIC Board of Directors.
	IC6	Enhance governance as part of CIC's oversight and sponsorship role.
Promote employee and corporate success.	IC7	Benchmark employee engagement by direct feedback from employees by independent 3rd party. Potential to further benchmark against other corporate entities.
	IC8	Benchmark employee enablement by direct feedback from employees by independent 3rd party. Potential to further benchmark against other corporate entities.

PERFORMANCE DISCUSSION

2012 PERFORMANCE RESULTS

The 2012 Balanced Scorecard results highlight CIC's commitment to a skilled and enabled workforce focused on Corporate and Crown sector success. Performance met or exceeded targets in all but a few areas. A discussion of the results and any future actions to drive performance are outlined under each scorecard perspective below:

2012 ACTION PLAN	PERFORMANCE RESULTS
CROWN SECTOR OVERSIGHT Given the level of renewal and growth in the Crown sector, key areas of focus in 2012 are to ensure effective, regular communication of strategic priorities to Crown Boards, Crown management and other key stakeholder groups, to ensure the financial health of the Crown sector is comparable to industry benchmarks and that sufficient capital is available to meet capital investment needs.	• CIC has implemented a process of regular meetings with Crown Boards. • The Crown sector was well aligned with the Government's priority; key to ensuring Crown sector financial flexibility to meet its capital plans. • CIC completed the implementation of a Crown sector Enterprise Risk Management framework and ensures that risks identified in the sector are appropriately managed.
STRATEGIC SHAREHOLDER INITIATIVES CIC will continue to foster the initiatives established in 2011 particularly in the advancement of innovative technologies, clean energy and affordable housing. CIC is working with the educational institutions to clarify processes and ensure that students receive the maximum bursaries available under the Aboriginal Bursary Program.	• In 2012, CIC focused on Crown sector priorities, and transferred responsibility for aspects (development and commercialization of clean energy and nuclear technologies) of the Provincial innovation program to other agencies. • CIC more than achieved its 2012 goal to provide access to affordable housing for residents of Saskatchewan through the Headstart Program. • CIC continues to work with the educational institutions to ensure greater support of the Aboriginal Bursary Program.
ASSET MANAGEMENT/DIVESTITURE CIC plans to pursue exit options that will reduce the number of investments requiring active management and divest of its remaining 23 investments on a timely basis over the next two years, dependent on provisions in investment agreements and market conditions.	• CIC progressed with its divestiture strategy completing 6 of 7 divestitures planned for 2012. Market volatility in 2012 impacted the timing of exit opportunities and proceeds.
CIC INTERNAL OPERATIONS CIC plans to enhance its 2011 Annual Report disclosure in areas identified by the Conference Board and develop strategies to improve and maintain employee engagement and enablement in response to the 2011 employee surveys.	• CIC achieved its goal of limiting expenditures to no higher than the 2011 level. • Assessed CIC's relativity to market and adjusted compensation structures as required to facilitate CIC's ability to recruit, retain and reward a productive and effective work force. • CIC initiated a review of job classifications and positions to market to address internal relativity concerns and assess competitiveness to the external market. • CIC has enhanced its annual report disclosure. The Conference Board will review CIC's 2012 Annual Report.

2013 ACTION PLANS

Given the level of renewal and growth in the Crown sector, key areas of focus in 2013 are:

SHAREHOLDER	• Ensure effective, regular communication of strategic priorities to Crown Boards, Crown management and other key stakeholder groups.
LEADERSHIP & POLICY	• CIC will review the Conference Board of Canada ratings and provide the findings to individual Crowns to enable achievement of "Best Practice" in financial reporting. • CIC continues to work with the educational institutions to clarify processes to enable students to receive the maximum bursaries available under the Aboriginal Bursary Program. • CIC plans to reduce the number of investments by pursuing exit opportunities and divest of its remaining 17 investments on a timely basis, dependent on provisions contained in investment agreements and market conditions.
FINANCIAL	• Ensure the financial health of the Crown sector is comparable to industry benchmarks and that sufficient capital is available to meet investment needs.
CIC INTERNAL OPERATIONS	• CIC will examine the results of the Conference Board of Canada's review of CIC's 2012 Annual Report disclosure and will endeavor to achieve "Best Practice" in financial reporting. • CIC will conduct and assess the results of the Employee Enablement and Engagement Survey to identify areas for improvement and develop a strategy to address any shortfalls.

STAKEHOLDER FEEDBACK

In CIC's pursuit to maintain the value it provides to its stakeholders, CIC undertakes an annual stakeholder feedback process. Each stakeholder group is surveyed regarding the value of the functions performed by CIC. The key strategic stakeholder groups for CIC include:

- CIC Board of Directors (as the representative of the shareholder to ensure mandates and activities are consistent with the interest and intent of Government);
- Subsidiary Crown Boards of Directors (as the stewardship body with fiduciary duty to the Crowns' operations); and
- Subsidiary Crown Executives (as the corporations' management bodies to conduct operations under the Boards' stewardship and direction).

The subsidiary Crown Board and Crown Executive surveys are administered by an independent agency to ensure confidential disclosure and unbiased interpretation of results. In the case of the CIC Board, which CIC has direct responsibility to; the survey is administered by CIC's CEO. Each stakeholder group is surveyed on the following criteria:

Assessed Criteria	CIC Board of Directors	Crown Subsidiary Boards of Directors	Crown Subsidiary Executives
Fulfilling its Mission	✓		
Direct Board Services & Support	✓		
Governance & Strategic Direction	✓[1]	✓	✓
Performance Management	✓[1]	✓	✓
Capital Allocation	✓[1]	✓	✓
Preparation of Board / Cabinet Materials	✓	✓	✓
Strategic Human Resources	✓[1]	✓	✓
Information Sharing		✓	
Corporate Secretariat Services		✓	
Financial & Reporting Policies			✓
Communications Coordination & Strategy	✓[1]		✓
Legal, Procedural and Legislative Advice	✓		✓
Financial Management	✓		
Oversight of Government Initiatives	✓		
CIC's Operations & Administration	✓		

[1] Oversight on a Crown sector-wide basis.

The following discussion typically includes CIC's Executive Discussion of action plans to address stakeholder feedback. CIC has revised the timing of two of its stakeholder surveys and received a favourable rating on the CIC Board survey. As a result, the 2012 Executive Discussion is abbreviated. CIC is committed to identifying ways to improve its performance throughout 2013.

SURVEY INFORMATION

CIC Board Survey:	CIC received a performance rating of 4.85 out of 5 from the CIC Board through the year-end survey conducted.
Crown Board Survey:	CIC did not conduct this survey for the 2012 year. The timing of the Crown Board Survey has been revised to better align with CIC's planning process, therefore the next survey will be conducted in July of 2013.
Crown Executive Survey:	CIC did not conduct this survey for the 2012 year. The timing of the Crown Executive Survey has been revised to better align with CIC's planning process, therefore the next survey will be conducted in July of 2013.

EXECUTIVE DISCUSSION

Overall, the CIC Board's 2012 assessment was very positive. The results in many areas exceed CIC's minimum standard for service. A continued priority for CIC is to ensure clear and complete communication with the CIC Board to effectively support the Board in achieving its responsibilities.

STATEMENT OF RELIABILITY

I, R.W. (Dick) Carter, the President and Chief Executive Officer of Crown Investments Corporation of Saskatchewan, and I, Blair Swystun, the Senior Vice President and Chief Financial Officer of Crown Investments Corporation of Saskatchewan, certify that we have reviewed the Balanced Scorecard performance results included in the Annual Report of Crown Investments Corporation of Saskatchewan.

Based on our knowledge, having exercised reasonable diligence, the performance results included in the Annual Report, fairly represent, in all material respects, CIC's performance results as of December 31, 2012.

R.W. (Dick) Carter, FCA
President & CEO

Blair Swystun, CFA
Senior Vice President & CFO

March 27, 2013

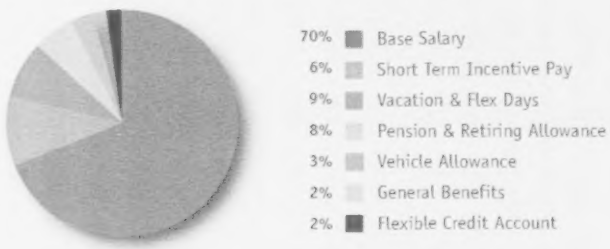
EXECUTIVE COMPENSATION

INDEPENDENT AND OBJECTIVE

Consistent with best practice and to ensure objectivity, the CIC Board directed CIC to engage an external consultant to review Crown sector executive compensation practices and assist in the development of an Executive Compensation Framework. The current Crown Sector Executive Compensation Framework was implemented in 2006.

In order to maintain a meaningful degree of competitiveness with the external market, the CIC Board undertakes a review of the Framework every 2-3 years. In 2009 and 2012, external consultants were engaged to conduct reviews to assess the degree to which Crown executive compensation remained aligned with the framework's stated philosophy and the external market. Based on these reviews, the CIC Board determined that no adjustments were warranted.

2012 EXECUTIVE COMPENSATION


70% Base Salary
6% Short Term Incentive Pay
9% Vacation & Flex Days
8% Pension & Retiring Allowance
3% Vehicle Allowance
2% General Benefits
2% Flexible Credit Account

FRAMEWORK

CIC has designed and administers executive compensation consistent with the CIC Board and Cabinet's Crown Sector Executive Compensation Framework and is committed to a "total compensation" perspective.

Crown sector compensation maintains a meaningful degree of competitiveness with the relevant external labour markets, targeting to achieve +/- 10% of the 50th percentile of market comparators (i.e., be in the middle of the group).

COMPENSATION

Each of CIC's executives receives a comprehensive group benefits package and is eligible for an annual short-term incentive program, in addition to their base pay. The 2012 executive compensation chart above indicates the percentage (%) each component contributed to total compensation in 2012.

As required by *The Crown Employment Contracts Act*, the CEO and direct reports of the CEO, including all executive members, report the details of their compensation and benefits to the Clerk of Executive Council. These filings are available for public review.

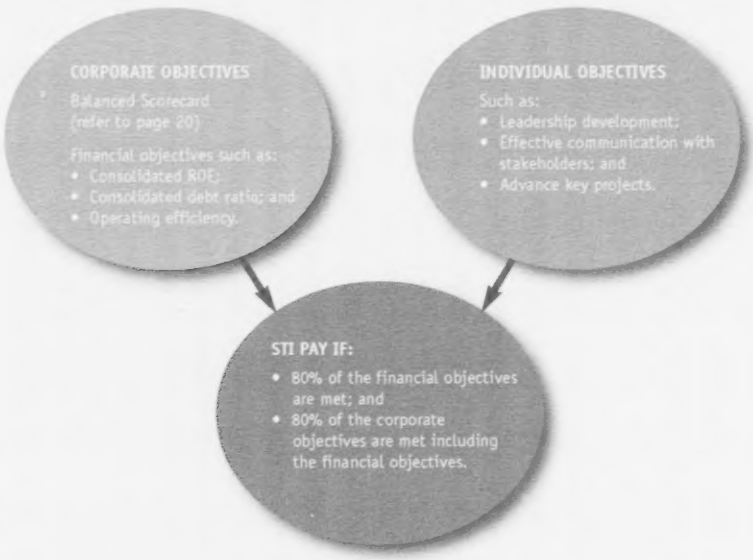
The Standing Committee on Crown and Central Agencies requires all Crown corporations to file an annual payee list which includes remuneration information for the executive members. The Payee Disclosure Report is available on CIC's website www.cicorp.sk.ca. The CIC Board reviews the details of these expenditure reports annually.

Consistent with CIC Board and Cabinet approved ranges, the CIC base salary ranges for 2012 were:

Position	Base Salary Range
CEO	$246,738 - $308,423
Executive 1	$209,727 - $262,158
Executive 2	$178,268 - $222,835

ELIGIBILITY FOR SHORT TERM INCENTIVE PAY (STI)

Executive STI pay is based on both corporate and individual objectives and demonstrated results against those objectives.


CORPORATE OBJECTIVES
Balanced Scorecard
(refer to page 20)
Financial objectives such as:
• Consolidated ROE;
• Consolidated debt ratio; and
• Operating efficiency.
INDIVIDUAL OBJECTIVES
Such as:
• Leadership development;
• Effective communication with stakeholders; and
• Advance key projects.
STI PAY IF:
• 80% of the financial objectives are met; and
• 80% of the corporate objectives are met including the financial objectives.

PERFORMANCE MANAGEMENT AND PAY AT RISK

CIC's corporate STI targets are directly linked to all, versus a subset of, CIC Balanced Scorecard (BSC) targets. Key areas of BSC responsibility specific to each executive member are weighted more heavily than other areas for STI payout determination. Linking each executive to all BSC targets incents a collaborative, team approach to achieving corporate targets. The financial component is separately measured to focus CIC executive on protecting CIC and Crown sector financial sustainability and on providing an appropriate return to the people of Saskatchewan. The CIC Board receives quarterly progress reports regarding performance against BSC targets. (Refer to page 24 for information regarding the rationale linking BSC targets to performance.)

STI targets are stretch goals and are objective, quantifiable and within the span of control and/or influence of management. For the corporate component, CIC's executive STI measures and targets are established equivalent to the annual BSC measures and targets. STI targets may be more challenging than BSC targets but cannot be less challenging than the BSC targets.

Following the end of the fiscal year, each executive summarizes his/her performance for the year against the pre-set objectives and targets. A discussion between the CEO and each Sr. Vice-President/Vice-President occurs regarding demonstrated results on both a corporate and individual basis. The CEO determines a final performance score for each Sr. Vice-President/Vice-President. Similarly, the CIC Board Chair reviews and discusses the CEO's annual performance results.

The CIC Board annually reviews and approves CIC's executive performance including STI targets. The weighting ranges for each component are:

Position	Corporate Weighting	Individual Weighting
CEO	90 – 80%	10 – 20%
Executive 1 and Executive 2	85 – 70%	15 – 30%

Future Outlook

2013 - CORPORATE DIRECTION AND PRIORITIES

The Balanced Scorecard perspectives for 2013 were revised to more closely align with CIC's strategic oversight role.

In the fall of 2012, the Provincial Government released The Saskatchewan Plan for Growth (Plan). The Plan identifies principles, goals and actions to ensure Saskatchewan is capturing the opportunities and meeting the challenges of a growing Province. In 2013, CIC will work with the Crown sector to ensure it aligns and achieves the goals set out in the Plan.

SHAREHOLDER

- To ensure the subsidiary Crowns' strategic plans reflect the priorities and policies of the shareholder; and
- To ensure the shareholder is provided with quality information and analysis to make decisions affecting the Crown sector.

LEADERSHIP & POLICY

- To provide high-quality advice to the Crown sector;
- To identify, develop and promote best practices in management of the Crown sector; and
- To implement and manage programs to align with shareholder priorities.

FINANCIAL

- To monitor the financial performance of the Crown sector; and
- To balance the relative priorities of providing an appropriate return to the people of Saskatchewan and protecting the financial flexibility of CIC and the Crown sector.

CIC INTERNAL OPERATIONS

- To ensure CIC is effectively structured to support the achievement of CIC's corporate priorities;
- To achieve an engaged and enabled workforce; and
- To demonstrate accountability and strong leadership throughout CIC.

2013 PERFORMANCE TARGETS

SHAREHOLDER

STRATEGIC OBJECTIVE	PM CODE	PERFORMANCE MEASURE (PM)	2013 TARGET
Provide expertise and guidance to support the shareholder	S1	Performance assessment by CIC Board Chair	≥ 3.75 (5 Point Rating Scale)
Effectively provide shareholder direction to the Crown sector	S2	Performance assessment by CIC Board Chair	≥ 3.75 (5 Point Rating Scale)

LEADERSHIP & POLICY

STRATEGIC OBJECTIVE	PM CODE	PERFORMANCE MEASURE (PM)	2013 TARGET
Implement key strategic public policy and programs aligning with shareholder priorities	LP1	Crown sector efficiency initiatives – Consolidated EBITDA[1]/ Revenue	29.6%
	LP2	Continue with the wind-down of CIC AMI	7 Divestitures in 2013
	LP3	Oversight of public policy programs and initiatives	Achieve 100% of program deliverables
Provide an effective performance management process to the Crown sector	LP4	Performance assessment by Crown Executives	≥ 3.5 (5 Point Rating Scale)
Effectively provide policy and procedural advice and support to the Crown sector	LP5	Performance assessment by Crown Executives	≥ 3.5 (5 Point Rating Scale)
Advance best practice standards within the Crown sector	LP6	Governance Rating: Benchmarking by the Conference Board of Canada (CBoC)	Non-reporting year of a 3 year cycle (2012-2014)
	LP7	Reporting and disclosure rating of Crown sector 2012 annual reports – Benchmarking by the CBoC	Sector average rating of "B+" on previous year annual report

[1] EBITDA (Earnings before interest, taxes, depreciation and amortization)

Future Outlook

FINANCIAL

STRATEGIC OBJECTIVE	PM CODE	PERFORMANCE MEASURE (PM)	2013 TARGET
Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan	F1	CIC dividend and equity repayments to the General Revenue Fund (GRF)	$316.6M ($180M regular dividend, $120M additional and $16.6M special dividend.)
	F2	Consolidated ROE	9.0%
	F3	Consolidated debt ratio	54.6%

CIC INTERNAL OPERATIONS

STRATEGIC OBJECTIVE	PM CODE	PERFORMANCE MEASURE (PM)	2013 TARGET
Advance best practices in CIC's reporting and disclosure	I01	Meet financial and performance reporting requirements	Quarterly and annual reports released on time
	I02	Reporting and disclosure rating for CIC's 2012 annual report: Benchmarking by the CBoC	Rating of "B+"
Prudent management of corporate resources	I03	CIC operating expenditures	Within budget
Promote employee effectiveness and corporate success	I04	Employee engagement	At or above the North American Hay Group norm
	I05	Employee enablement	At or above the North American Hay Group norm

RATIONALE FOR SELECTION OF PERFORMANCE MEASURES

STRATEGIC OBJECTIVE	PM CODE	RATIONALE FOR SELECTION OF PERFORMANCE MEASURES
Provide expertise and guidance to support the shareholder	S1	Provides for direct assessment by the CIC Board Chair (shareholder's representative) on the relative performance of the holding company in providing expertise and guidance to support the shareholder.
Effectively provide shareholder direction to the Crown sector	S2	Provides for direct assessment by the CIC Board Chair (shareholder's representative) on the relative performance of the holding company in providing shareholder direction to the Crown sector.
Implement key strategic public policy and programs aligning with shareholder priorities	LP1	To monitor Crown progress towards achieving Government's initiatives on efficiency.
	LP2	Report progress towards fulfilling the shareholder mandate to divest the entire investment portfolio of assets formally held by Investment Saskatchewan Inc.
	LP3	Focus on CIC's role in the leadership and oversight of public policy programs and initiatives, aligning with shareholder priorities.
Provide an effective performance management process to the Crown sector	LP4	Provides for direct assessment by Crown sector executives on the relative performance of CIC in providing an effective performance management system.
Effectively provide policy and procedural advice and support to the Crown sector	LP5	Provides for direct assessment by Crown sector executives on the relative performance of CIC in providing effective policy and procedural advice and support to the Crown sector.
Advance best practice standards within the Crown corporations	LP6	Benchmark governance to industry standards or best practices by an independent 3rd party.
	LP7	Benchmark financial reporting and disclosure to industry standards or best practices by an independent 3rd party.
Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan	F1	Provide an appropriate return to the shareholder in an amount directed by the shareholder.
	F2	Indicates the level of profitability across the Crown sector by measuring Crown sector returns as a percentage of the equity in the Crown sector. Although the measure cannot be benchmarked to industry on a consolidated basis, results can be compared year over year.
	F3	Indicates the level of financial flexibility in the Crown sector by measuring Crown sector debt as a percentage of capital (debt plus equity) in the Crown sector. Higher ratios indicate increased debt burden which may impair the Crown sector's ability to withstand downturns in revenues and still meet fixed payment obligations. Although the measure cannot be benchmarked to industry on a consolidated basis, results can be compared year over year.
Advance best practices in CIC's reporting and disclosure	IO1	Release of financial and performance reporting is governed by policy, and in some cases, such as CIC's annual report, by legislation.
	IO2	Benchmark CIC's reporting and disclosure to industry standards or best practices by an independent 3rd party.
Prudent management of corporate resources	IO3	CIC is given the authority to make expenditures within the operating budget as approved annually by the CIC Board of Directors.
Promote employee effectiveness and corporate success	IO4	Benchmark employee engagement by direct feedback from employees by an independent 3rd party. Potential to further benchmark against other corporate entities.
	IO5	Benchmark employee enablement by direct feedback from employees by an independent 3rd party. Potential to further benchmark against other corporate entities.

Introduction to CIC's Financial Reporting

In 2012, CIC's Crowns invested over $1.5 billion to sustain and grow Saskatchewan's infrastructure.

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38 Understanding CIC's Financial Statements
39 CIC's 2012 Financial Highlights
40 Achieving Corporate Priorities in 2012
42 Managing Capital Resources in the CIC Crown Sector

Introduction to CIC's Financial Reporting

PREFACE

The purpose of the following discussion is to provide the users of CIC's financial statements with an overview of the Corporation's financial performance and the various measures CIC uses to evaluate its financial health. This narrative on CIC's 2012 financial results should be read in conjunction with the audited consolidated and separate financial statements.

Producing two different views of CIC's operations and results, with consolidated and separate financial statements, is a cornerstone of our commitment to accountability and transparency. Explanations of the differing purposes of these statements are provided in the next pages.

In addition to the information on CIC's 2012 results, discussions also provide detailed information regarding performance relative to the business plan, and what this means for the CIC Crown sector in the future.

FORWARD-LOOKING INFORMATION

Throughout the Annual Report, and particularly in the following discussion, are forward-looking statements. These statements can be recognized by terms such as "outlook", "expect", "anticipate", "project", "continue", or other expressions that relate to estimations or future events. By their nature, forward-looking statements require assumptions based on current information, management experience and historical performance. Forward-looking information is subject to uncertainties, and, as a result, forward-looking statements are not a guarantee about the future performance of CIC and its subsidiary Crown corporations.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions and assumptions. Factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance, competition and regulatory environment. Given these uncertainties, assumptions contained in the forward-looking statements may or may not occur.

Understanding CIC's Financial Statements

CIC prepares two sets of financial statements: consolidated financial statements and separate financial statements.

CIC CONSOLIDATED FINANCIAL STATEMENTS

These statements illustrate CIC's results consolidated with the results of its subsidiary corporations. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and include:

- Financial results of subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI, ISC, SGC, STC, SaskWater, SOCO, and SDFC);
- Financial results for CIC's wholly-owned subsidiaries (Gradworks Inc., CIC Economic Holdco Ltd., First Nations and Métis Fund Inc., CIC Apex Equity Holdco Ltd., Saskatchewan Immigrant Investor Fund Inc. and CIC AMI);
- Dividends paid by CIC to the General Revenue Fund (GRF); and
- CIC's operating results and public policy expenditures.

Consolidated earnings represent the total earnings in the Crown sector, taking into consideration the elimination of all inter-entity transactions (i.e., revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC).

CIC SEPARATE FINANCIAL STATEMENTS

Separate earnings represent CIC's earnings as the shareholder of the Saskatchewan Commercial Crown sector. These statements assist CIC in determining its capacity to pay dividends to the GRF. The separate statements have not been and are not intended to be prepared in accordance with IFRS. These statements are intended to isolate the Corporation's cash-flow, capital support for certain subsidiary corporations, and public policy expenditures. These financial statements include:

- Dividends from subsidiary corporations;
- Dividends paid by CIC to the GRF;
- Grants by CIC to subsidiaries; and
- CIC's operating results and public policy expenditures.

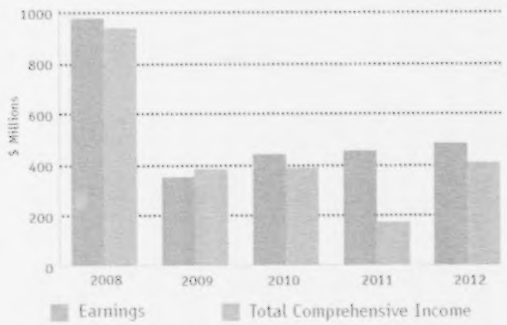
CIC'S 2012 Financial Highlights

(millions of dollars)

	2012	2011	2010	2009[1]	2008[1]
CIC Consolidated					
Earnings	$ 478.9	$ 450.9	$ 436.3	$ 348.7	$ 978.2
Assets	13,150.2	12,003.1	11,066.3	10,256.3	10,586.4
Debt[2]	5,643.1	4,701.8	4,440.9	4,205.9	4,033.6
Dividend to the GRF	280.1	128.5	471.0	755.0	365.0
Debt ratio (per cent)	53.9%	49.8%	49.7%	47.5%	44.4%
Return on Equity (per cent)	11.2%	10.9%	10.5%	7.9%	22.2%
CIC Separate					
Dividend revenue	$ 346.4	$ 213.9	$ 276.1	$ 258.1	$ 773.4
Earnings	314.0	167.1	236.0	176.7	749.3
Cash Return on Equity	16.1%	7.8%	27.1%	36.8%	16.5%

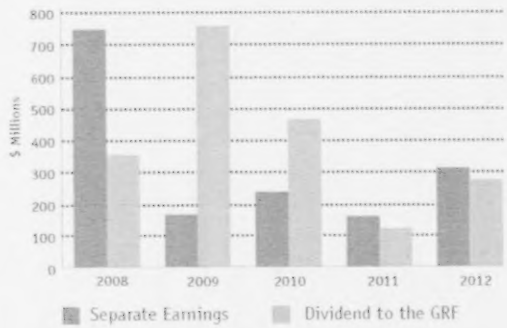
[1] Comparative results for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.
[2] Consolidated debt includes long-term debt, long-term debt due within one year and notes payable.

CONSOLIDATED EARNINGS



CONSOLIDATED RETURN ON EQUITY

SEPARATE EARNINGS AND DIVIDENDS TO THE GRF



Information for 2012, 2011 and 2010 has been prepared under International Financial Reporting Standards. Historical information for 2009 and 2008 has been prepared under former Canadian Generally Accepted Accounting Principles.

A BALANCED APPROACH TO SHAREHOLDER RETURN

- CIC is focused on providing a reasonable return to the Province. This priority must be balanced with its public policy initiatives.
- CIC declared and paid dividends of $280.1 million to the GRF.
- CIC's consolidated return on equity was 11.2 per cent.
- These returns were accomplished while supporting the following public policy initiatives:
  - Saskatchewan EnerGuide for Houses;
  - Gradworks Inc., an internship program for CIC Crown corporations;
  - STC transportation routes in the province;
  - First Nations and Métis Fund Inc., a venture capital fund focusing on the aboriginal small business sector; and
  - Saskatchewan Immigrant Investor Fund Inc. (SIIF), a corporation established to participate in the Government of Canada's Immigrant Investor Program (IIP). SIIF uses IIP funds to deliver the Headstart on a Home program that assists builders and developers in building affordable housing in Saskatchewan communities.

FINANCIAL SUSTAINABILITY

- CIC monitors the financial resources of the CIC Crown sector to ensure that financial performance targets are achieved in the current year and that the financial sustainability of the CIC Crown sector is maintained for the future. This includes important functions such as:
  - Ensuring CIC Crown corporations have sufficient capital available to maintain and/or expand existing infrastructure;
  - Examining capital structures of CIC Crown corporations (generally consisting of debt and equity) to maintain financial health; and
  - Forecasting available cash flows over the planning horizon for dividend payments to the GRF.
- All decisions that impact financial resources, such as dividends from the CIC Crown sector, dividends to the GRF, or funding of a public policy initiative, are assessed within the context of financial self-sufficiency, while contributing to the Government's priorities for the CIC Crown sector.
- During 2012, CIC's allocation of financial resources included the following:
  - Support of the above noted public policy initiatives;
  - Declaration and payment of dividends to the GRF of $280.1 million; and
  - Approval of capital spending plans of subsidiary Crown corporations.

ENHANCING ACCOUNTABILITY

- CIC continues to advance its financial reporting practices in support of transparency and accountability. Examples of current practices to facilitate accountability include:
  - Quarterly reports for CIC and its subsidiary Crowns, available to the public via CIC's website;
  - Disclosure of budget information in the Government's Summary Financial Budget;
  - Detailed disclosure of CIC and its subsidiary Crowns' payments via CIC's website;
  - Quarterly and annual publication of CIC's separate financial statements to report on CIC as a holding company;
  - Within the annual reports, comparisons of CIC's subsidiary corporations' results to business plan targets;
  - Providing Internal Audit services to certain CIC subsidiary Crown corporations;
  - Requiring CEO/CFO certification of internal controls over financial reporting; and
  - Developing policies and practices to ensure appropriate and consistent risk management frameworks for all CIC subsidiary Crown corporations.
- CIC continuously evaluates new standards for financial reporting and corporate governance.

Managing Capital Resources in the CIC Crown Sector

CIC has a diverse range of holdings. A key priority for CIC is to manage the capital resources employed within the consolidated group of entities to optimize value in the Crown sector and also provide a return to the Province's GRF.

CIC manages this priority through its capital allocation framework, which is based on two integrated policies. These policies are based on the principle that there are three potential uses for cash profits:

- **Reinvestment** in our businesses to sustain infrastructure and operations, to grow and diversify revenues, and support public policy initiatives and economic development;
- **Debt reduction** to support the financial flexibility of CIC's operations; and
- **Dividends** to the holding company to be used in accordance with the CIC Dividend Policy.

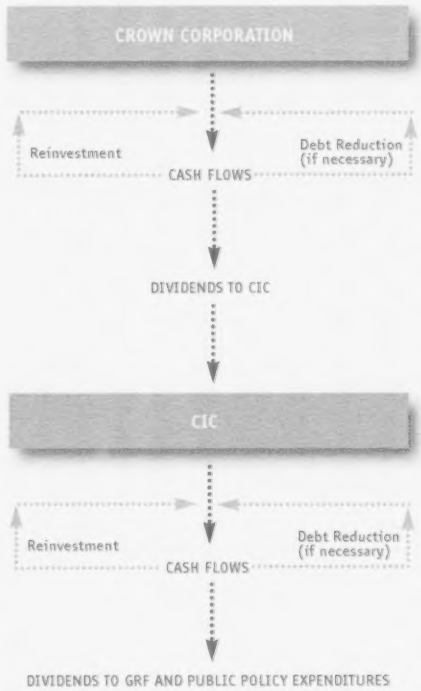
The Subsidiary Dividend Policy focuses on managing capital resources to support the investment needs and business viability of the various business segments over the medium term. The policy ensures that the investments provide a return to Saskatchewan stakeholders in support of programs paid for from the GRF.

SUBSIDIARY DIVIDEND POLICY

Each commercial Crown's ability to pay dividends is determined after the CIC Board allocates a portion of cash profits to reinvestment and debt reduction. The CIC Board has approved debt and capital structure targets for CIC's subsidiaries based on industry benchmarks. Therefore, for subsidiaries that pay dividends, the amount paid is determined in relation to the target capital structure compared to the actual capital structure.

CIC DIVIDEND POLICY

In a similar way, cash paid by subsidiary Crown corporations is used by CIC for reinvestment and dividends to the GRF. CIC, as the holding company, does not have any debt. As well, CIC uses funds to support public policy initiatives.



In 2012, CIC allocated $304.1 million of capital as follows:

REINVESTMENT AND PUBLIC POLICY EXPENDITURES:

- $21.5 million in grant funding provided to SaskEnergy, STC and Gradworks; and
- $2.5 million provided to First Nations and Métis Fund Inc. to provide venture capital to qualifying First Nations and Métis businesses.

DIVIDEND:

- GRF dividend of $280.1 million in 2012.

DEBT REDUCTION:

- No funds were used for debt repayment as CIC (separate) does not carry debt.

CIC's ability to pay dividends to the GRF depends mainly on the level of Crown dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown dividend levels depend on earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings (a company's retained earnings are the aggregate amount of undistributed earnings since its inception). CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown earnings forecasts.

CAPITAL STRUCTURES OF SUBSIDIARY CORPORATIONS

The following table summarizes the target capital structure of CIC's subsidiary corporations that declared dividends or were expected to declare dividends to CIC in 2012:

	Capital Structure Measure	Capital Structure Target	2012 Actual Capital Structure	2012 Dividend Payout Rate
SaskPower[1]	Debt Ratio	60.0 - 75.0%	67.4%	N/A
SaskTel	Debt Ratio	50.0%	42.0%	65%
SaskEnergy	Debt Ratio	57.0%	59.3%	38%
SGI[2]	Minimum Capital Test	250.0%	250.0%	63%
CIC AMI[3]	Cash Availability	At target	At target	N/A
ISC	Debt Ratio	40.0%	31.2%	90%
SGC	Debt to EBITDA	25.0%	29.0%	80%
SOCO	Debt Ratio	60.0%	16.4%	65%

[1] Exceptional earnings at SaskPower in 2011 resulted in a dividend of $120.0 million in 2012.
[2] Minimum Capital Test (MCT) is an indicator of financial flexibility used in the insurance industry.
[3] CIC AMI dividend is determined by cash availability and CIC's cash requirements which is not dependent on earnings.

LIQUIDITY

CIC and its subsidiary Crown corporations borrow from the GRF, which in turn, borrows in the capital markets. With strong credit ratings, the GRF has ample access to capital for anticipated borrowing requirements.

PROVINCE OF SASKATCHEWAN CREDIT RATINGS

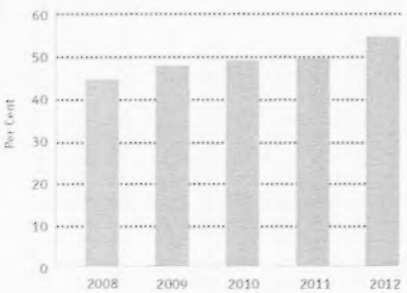
Moody's Investor Service (Moody's)	Aa1
Standard & Poor's (S&P)	AAA
Dominion Bond Rating Service (DBRS)	AA

There are three credit rating agencies in Canada that evaluate and rate the Province's sovereign debt. These ratings affect the interest rate at which the Province, including the CIC Crown sector, can borrow funds. As the credit ratings improve, the interest rates at which the Province can borrow decreases; thereby reducing the costs of borrowing. During 2012, Moody's, DBRS, and S&P confirmed the Province's credit rating.

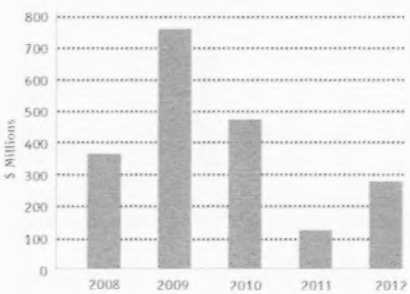
FINANCIAL HEALTH AND DIVIDENDS TO THE GRF

In 2012, CIC provided dividends of $280.1 million to the GRF.

CONSOLIDATED DEBT RATIO



DIVIDENDS DECLARED TO THE GRF



CIC Consolidated

Saskatchewan experienced unprecedented growth in 2012. This was reflected in the Crown utilities connecting record numbers of new customers.

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ANALYSIS OF FINANCIAL RESULTS

The following analysis of CIC's consolidated 2012 financial results should be read in conjunction with the audited consolidated financial statements. While this MD&A is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information that CIC can release. For purposes of CIC's consolidated MD&A, "CIC" and "Corporation" refer to the consolidated entity. CIC's consolidated financial statements are prepared in accordance with IFRS and, as such, consolidate the results of all of CIC's subsidiary corporations.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS

CONSOLIDATED EARNINGS COMPARISON

(millions of dollars)

	2012	2011	2010	2009[1]	2008[1]
SaskPower	$ 152.9	$ 248.0	$ 203.5	$ 102.7	$ 63.5
SaskTel	129.6	154.0	149.5	129.0	123.6
SaskEnergy	106.5	25.5	50.2	93.3	29.2
SGI	82.1	0.4	49.3	52.4	40.4
CIC AMI	(4.3)	35.3	(17.1)	(32.8)	691.0
ISC	21.2	17.2	15.6	15.1	22.4
SGC	26.3	25.9	22.0	25.4	19.1
SaskWater	3.0	3.5	0.4	0.5	(1.0)
STC	(1.0)	(0.3)	-	(0.8)	(0.8)
SOCO	4.3	4.6	6.1	4.1	5.1
SIIF	(0.2)	1.2	0.4	-	-
CIC (separate)	314.0	167.1	236.0	176.7	749.3
Consolidation Adjustments[2] & Other	(355.5)	(231.5)	(279.6)	(216.9)	(763.6)
Consolidated Earnings	**$ 478.9**	**$ 450.9**	**$ 436.3**	**$ 348.7**	**$ 978.2**
Total Assets	**$ 13,150.2**	**$ 12,003.1**	**$ 11,066.3**	**$ 10,256.3**	**$ 10,586.4**

[1] Amounts for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.

[2] Consolidation adjustments reflect the elimination of all inter-entity transactions, such as grants from CIC to Crown Corporations, revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC.

Consolidated CIC Crown sector results increased to $478.9 million in 2012 from $450.9 million in 2011. The $28.0 million increase in earnings was mainly due to:

- SaskPower earnings of $152.9 million decreased by $95.1 million due to increased fuel costs, depreciation and amortization, salaries, wages and short-term employee benefits, losses on disposal of property, plant and equipment and net finance expenses; partially offset by increased revenue from higher sales volumes to Saskatchewan customers and exports to the Alberta market;
- SaskTel earnings decreased $24.4 million to $129.6 million due to increased earnings in 2011 from the sale of Saskatoon 2 Properties Limited Partnership and Hospitality Network Canada Inc., which provided earnings of $30.7 million;
- SaskEnergy earnings increased $81.0 million to $106.5 million primarily due to favourable fair value adjustments on natural gas in storage and derivative financial instruments used for gas management activities;
- SGI earnings increased $81.7 million to $82.1 million due mainly to improved premium growth, higher investment earnings and lower expenses after the record number of spring and summer storm and flood claims and the high number of large property losses experienced in 2011;

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS *(continued)*

CONSOLIDATED EARNINGS COMPARISON *(continued)*

- CIC Asset Management Inc. had a loss of $4.3 million in 2012 versus earnings of $35.3 million in 2011. The difference between years is mainly attributable to 2011 non-recurring environmental remediation and reinsurance liability recoveries totaling $46.7 million;
- ISC earnings increased $4.0 million to $21.2 million, primarily due to growth in land and personal property registry revenue;
- SIIF had a loss of $0.2 million in 2012 versus earnings of $1.2 million in 2011. The difference between years is primarily due to the impact of recording fair value adjustments on amounts received from the Government of Canada as required by IFRS; and
- CIC (separate) earnings increased $146.9 million to $314.0 million primarily as a result of higher dividend revenue of $132.5 million, a decrease in grant funding to subsidiary corporations of $115.0 million and a decrease in operating and other expenses of $0.3 million. The increases in earnings were offset by a decrease in grant funding from the GRF of $100.3 million and a decrease in finance and other revenue of $0.6 million.

SIGNIFICANT EVENTS IMPACTING 2012 CONSOLIDATED RESULTS

During 2012, the following significant events impacted CIC's consolidated results:

1. **Loss on Sale of Equity Accounted Investees (Note 10(d) to the consolidated financial statements)**
   During 2012, the Corporation sold its investment in Apex Investments Limited Partnership (Apex) for proceeds of $24.2 million resulting in a loss on sale of equity accounted investees of $7.4 million.
2. **Actuarial Losses on Defined Benefit Plans (Note 20 to the consolidated financial statements)**
   Due to changes in actuarial assumptions and the resulting impacts on the Corporation's defined benefit plan obligations, the Corporation recorded a $72.6 million (2011 - $283.8 million) other comprehensive loss. These amounts were transferred from accumulated other comprehensive income to retained earnings in the year of occurrence.

ACCOUNTING POLICY DEVELOPMENTS IMPACTING FUTURE CONSOLIDATED RESULTS

As disclosed in Note 3(s) to the consolidated financial statements, a number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2012, and have not been applied in preparing the consolidated financial statements. Note 3(s) includes management's assessment of the potential impacts on the consolidated financial statements known at this time.

ANALYSIS OF 2012 CONSOLIDATED REVENUES AND EXPENSES

OPERATING INCOME

Total revenue was $4,546.0 million (2011 - $4,547.0 million), a decrease of $1.0 million. A $22.9 million improvement in operating revenue was accompanied by a $23.9 million decrease in other income.

Operating revenue was $4,536.1 million (2011 - $4,513.2 million). Improved operating revenues from insurance and entertainment were partially offset by lower operating revenue from the utility segment.

Insurance related operating revenue increased by $33.7 million to $482.8 million (2011 - $449.1 million) as a result of premium growth mainly in Saskatchewan and Alberta.

Entertainment related operating revenue was $137.2 million (2011 - $134.6 million), an increase of $2.6 million or 1.9 per cent due mainly to a record 3.6 million casino guests in 2012, which was 2.3 per cent higher than 2011.

ANALYSIS OF 2012 CONSOLIDATED REVENUES AND EXPENSES *(continued)*

OPERATING INCOME *(continued)*

Utility operating revenue was $3,958.2 million (2011 - $3,981.4 million), a decrease of $23.2 million due mainly to the following:

- A $91.9 million decrease in SaskEnergy operating revenue due mainly to: (1) a decrease in the average commodity rate for natural gas sales to distribution customers to $4.07 per Gigajoule (GJ) in 2012 versus $4.47 per GJ in 2011; (2) $31.6 million in unrealized fair value losses on natural gas management activities in 2012 versus $2.2 million in gains in 2011; and (3) a $14.0 million decrease in customer contributions caused by two large connections that were completed and put into use in 2011; partially offset by: (4) adding 7,386 residential, business and industrial customers to its natural gas distribution system resulting in a $7.0 million increase in basic monthly charges and delivery volumes compared to 2011; and
- A $1.3 million decrease in SaskPower operating revenue due mainly to: (1) $4.7 million in unrealized losses on natural gas management activities in 2012 versus a $7.7 million gain in 2011; and (2) lower customer contributions; partially offset by: (3) an increase of 271 Gigawatt hours (GWh) (1.4 per cent) in electricity sales volumes to Saskatchewan customers and; (4) higher export sale prices and volumes as a result of increased market opportunities in Alberta.

Partially offset by:

- A $56.6 million increase in SaskTel operating revenue primarily due to continued strong customer growth in cellular, *Max*™ Entertainment, wireless, internet and data services as well as increased demand for these services;
- A $6.5 million increase in ISC operating revenue due to increased land and personal property registry transactions attributed to the strong Saskatchewan economy; and
- A $6.8 million increase in SaskWater operating revenue primarily from its non-potable water and services lines of business and project management activities.

Other income decreased by $23.9 million to $9.9 million (2011 - $33.8 million). Other income in 2011 included recognition of a non-recurring $31.1 million of funding received from the GRF restricted for carbon capture and storage initiatives (an equivalent offsetting amount was included in operating costs). The Corporation fully exhausted GRF funding during 2011 on qualifying expenditures for SaskPower's Boundary Dam Unit 3 refurbishment.

OPERATING EXPENSES

Total operating expenses were $3,845.9 million (2011 - $3,925.1 million) or a decrease of $79.2 million from 2011. Lower operating costs were partially offset by higher salaries, wages and short-term benefits, depreciation and amortization, loss on disposal of property, plant and equipment, provisions for decommissioning and environmental remediation liabilities and Saskatchewan taxes and fees.

Operating costs decreased by $210.7 million to $2,202.7 million (2011 - $2,413.4 million) mainly due to lower insurance and utility related operating costs.

Operating costs related to insurance activities decreased $27.8 million to $353.0 million (2011 - $380.8 million). 2011 operations were significantly impacted by the combined impact of record claims in Saskatchewan caused by several severe spring and summer storms and floods, as well as a high number of large property losses in all out-of-province jurisdictions. All jurisdictions experienced improved claims results in 2012 attributable to fewer claim counts, fewer large losses and lower storm costs. Saskatchewan summer storm claim costs were $16.5 million in 2012, compared to $32.4 million in 2011.

ANALYSIS OF 2012 CONSOLIDATED REVENUES AND EXPENSES *(continued)*

OPERATING EXPENSES *(continued)*

Utility operating costs decreased by $165.8 million to $1,882.3 million (2011 - $2,048.1 million) primarily due to:

- A $181.1 million decrease at SaskEnergy mainly related to: (1) a lower cost of natural gas which fell to an average of $4.11 per GJ in 2012 from $4.28 per GJ in 2011; (2) an $85.1 million increase in unrealized fair market value gains on natural gas management activities; and (3) a $21.3 million recovery of natural gas in storage to its net realizable value in 2012 versus a $24.6 million write-down in 2011; and
- A $24.9 million decrease at SaskPower primarily related to: (1) a $19.4 million unrealized gain on gas management activities in 2012 versus a $3.5 million loss in 2011; and (2) a $31.1 million decrease in expenses related to the carbon capture and storage initiative (an equivalent offsetting amount was included in operating income); partially offset by: (3) higher maintenance due to increased storm activity; (4) additional preventative maintenance costs; (5) increased spending on various new initiatives; and (6) higher fuel and purchased power costs as a result of an unfavourable change in fuel mix as lower cost hydro generation was replaced with more expensive natural gas generation.

Partially offset by:

- A $34.2 million increase at SaskTel primarily due to increased goods and services purchased to support revenue growth in wireless, *Max*™ Entertainment, data and internet revenues; and
- A $4.7 million increase at SaskWater due to higher costs for new potable and non-potable services and project management activities.

Salaries, wages and short-term employee benefits increased by $26.2 million to $815.8 million (2011 - $789.6 million) due mainly to a general average wage and salary increase of 2.0 per cent in 2012.

Depreciation and amortization increased $51.5 million to $601.7 million (2011 - $550.2 million) due primarily to: (1) a $26.1 million increase at SaskPower mainly resulting from $956.5 million in 2012 capital expenditures including new generation, customer connects, the life extension of existing infrastructure and other strategic capital initiatives; (2) a $15.2 million increase at SaskTel mainly resulting from $319.8 million in 2012 capital expenditures including Fibre to the Premises (FTTP) and cellular network upgrades to Long Term Evolution (LTE) technology as well as Customer Relationship Management and Field Services Efficiency software; and (3) a $4.3 million increase at SaskEnergy mainly resulting from $180.0 million in 2012 capital expenditures to expand the capacity and maintain the integrity of SaskEnergy's extensive distribution and transmission systems.

Loss on disposal of property, plant and equipment increased $17.0 million to $24.2 million (2011 - $7.2 million) due mainly to asset retirements related to the major overhaul of Shand Power Station and repowering of Queen Elizabeth Power Station by SaskPower in 2012.

Based on external studies related to the Corporation's responsibilities for necessary environmental clean-up activities on certain properties and electrical generation assets, the Corporation recorded a $3.0 million provision for decommissioning and environmental remediation liabilities in 2012 versus a recovery of $38.8 million in 2011.

Saskatchewan taxes and fees increased by $6.1 million to $132.1 million (2011 - $126.0 million) due mainly to a $4.8 million increase in Saskatchewan capital taxes as a result of growth in the Corporation's capital tax base.

ANALYSIS OF 2012 CONSOLIDATED REVENUES AND EXPENSES *(continued)*

NET FINANCE EXPENSES

Net finance expenses increased $29.4 million to $233.1 million (2011 - $203.7 million) primarily due to: (1) a $28.1 million increase in interest expense on higher debt balances attributed to the Corporation's large capital expenditure program; (2) a $3.6 million decrease in realized sinking fund earnings; and (3) $16.8 million in unrealized sinking fund losses in 2012 versus $15.2 million in gains in 2011; partially offset by: (4) a $23.6 million increase in SGI investment returns, primarily in U.S. and international equity markets; and (5) a $16.8 million increase in capitalized interest due to higher capital expenditures.

NON-OPERATING ITEMS

Share of earnings from equity accounted investees increased by $8.9 million to $19.4 million (2011 - $10.5 million) due mainly to an increase of $9.6 million at CIC AMI attributable to positive 2012 earnings generated by Meadow Lake OSB Limited Partnership and reduced losses from Big Sky Farms Inc.

Gain from discontinued operations decreased by $30.8 million. There were no discontinued operations in 2012. However, during 2011, the Corporation sold its interests in Hospitality Network Canada Inc. and Saskatoon 2 Properties Limited Partnership for combined proceeds of $70.4 million resulting in a gain from discontinued operations of $30.8 million.

Loss on sale of equity accounted investees decreased $1.2 million to $7.4 million (2011 - $8.6 million). During 2012, the Corporation sold its investment in Apex for proceeds of $24.2 million resulting in a loss on sale of equity accounted investees of $7.4 million. During 2011, the Corporation sold its interests in Gas Sur S.A. and IGASAMEX USA Ltd. for combined proceeds of U.S. $23.4 million resulting in a loss on sale of equity accounted investees of $8.6 million.

The following table illustrates the disclosure of these items in CIC's 2012 consolidated financial statements (millions of dollars):

	2012	2011
Non-Operating Items		
Earnings from operations	$ 466.9	$ 418.2
Share of earnings from equity accounted investees	19.4	10.5
Gain from discontinued operations	-	30.8
Loss on sale of equity accounted investees	(7.4)	(8.6)
Consolidated Earnings	$ 478.9	$ 450.9

ANALYSIS OF 2012 CONSOLIDATED CAPITAL RESOURCES

CONSOLIDATED DEBT

CIC closely monitors the debt levels of its subsidiaries, utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. CIC uses this measure in assessing the extent of financial leverage and in turn, financial flexibility for its subsidiary Crown corporations. Too high a ratio relative to target, which is determined according to industry standards, indicates a debt burden that may impair a corporation's ability to withstand downturns in revenues and still meet fixed payment obligations.

The ratio is calculated as net debt divided by capitalization at the end of the year.

The Corporation reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure comparability with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the Board of Directors. The Corporation uses targeted debt ratios to compile a weighted average debt ratio for the Crown sector. The target ratio for 2012 was 60.3 per cent.

ANALYSIS OF 2012 CONSOLIDATED CAPITAL RESOURCES *(continued)*

CONSOLIDATED DEBT *(continued)*

For further information on CIC's approach to capital management, please refer to Note 22 of the audited consolidated financial statements.

The following table shows CIC's consolidated debt level and debt ratio:

	2012	2011	2010	2009[1]	2008[1]
Consolidated debt	$ 5,643.1M	$ 4,701.8M	$ 4,440.9M	$ 4,205.9M	$ 4,033.6M
Consolidated debt ratio	53.9%	49.8%	49.7%	47.5%	44.4%

[1] Amounts for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.

Debt on a consolidated basis was $5,643.1 million (2011 - $4,701.8 million) or an increase of $941.3 million from 2011. The increase is mainly attributed to higher debt at SaskPower ($717.8 million), SaskEnergy ($59.1 million) and SaskTel ($128.5 million). The increase in debt was mainly required to fund a portion of the $1,512.0 million in 2012 capital expenditures. Debt also increased by $39.4 million at SIIF reflecting increased amounts received from the IIP which is restricted for use in Saskatchewan's Headstart on a Home Program as described in Note 8(b) to the consolidated financial statements. Over the last three years, debt has increased $1,202.2 million in support of increased assets of $2,083.9 million.

CAPITAL SPENDING

Capital spending (property, plant and equipment, investment property and intangible asset purchases) increased $388.4 million to $1,512.0 million (2011 - $1,123.6 million). Major 2012 capital expenditures included:

- $956.5 million at SaskPower including: (1) $357.0 million on the carbon capture and storage initiative; (2) $149.0 million on renewing other generation assets, including $70.0 million on a Shand Power Station overhaul and Queen Elizabeth Power Station repowering; (3) $226.0 million to connect customers to the electric system; (4) $144.0 million on increasing capacity and sustaining transmission and distribution infrastructure; (5) $20.0 million on vehicles and equipment; (6) $18.0 million on Advanced Metering Infrastructure implementation; and (7) $31.0 million on corporate information and technology assets;
- $319.8 million at SaskTel on FTTP and cellular network upgrades to LTE technology as well as Customer Relationship Management and Field Services Efficiency software;
- $180.0 million at SaskEnergy to expand the capacity and maintain the integrity of SaskEnergy's distribution and transmission systems. The increase reflects not only the sustained growth in Saskatchewan, but also SaskEnergy's commitment to enhance its already robust safety programming and integrity systems; and
- $26.0 million at SaskWater due to new and ongoing major capital projects for potable and non-potable infrastructure.

Investment purchases were $774.0 million (2011 - $750.5 million), a $23.5 million increase from 2011 mainly due to: (1) a $93.0 million increase in purchases by SGI due to efforts to manage its investment portfolio mix during the year; and (2) a $41.4 million increase in purchases by SIIF reflecting the initiation of loans to builders and developers under the Headstart on a Home Program; partially offset by: (3) a $61.7 million decrease at CIC AMI due to less roll over of cash, cash equivalents and short-term investments related to choosing investments with longer term maturities; and (4) a $47.6 million decrease at CIC (separate) due to less cash being available for investing in 2012 versus 2011.

ANALYSIS OF 2012 CONSOLIDATED CAPITAL RESOURCES *(continued)*

OPERATING, INVESTING AND FINANCING ACTIVITIES

Cash Flow Highlights
(millions of dollars)

	2012	2011
Net cash from operations	$ 933.0	$ 1,113.1
Net cash used in investing activities	(1,605.1)	(1,157.6)
Net cash (used in) from financing activities		
Dividends paid	(280.1)	(128.5)
Debt proceeds received	543.2	52.5
Debt repaid	(55.3)	(17.4)
Other financing activities	426.6	97.2
Change in Cash	$ (37.7)	$ (40.7)

Cash from operations decreased by $180.1 million to $933.0 million (2011 - $1,113.1 million). Earnings improved by $28.0 million which combined with a $23.2 million increase in adjustments to reconcile earnings to cash provided by operating activities (see details in Note 29 to the audited consolidated financial statements) resulted in an overall cash impact from earnings which was $51.2 million higher than in 2011. Although cash from operating activities was positively impacted by a $43.0 million decrease in defined benefit pension plan contributions, this was more than offset by the negative impacts from: (1) a $64.4 million drop in net cash inflows provided by discontinued operations; (2) a $20.4 million increase in interest paid; and (3) a $189.5 million decrease in net change in non-cash working capital balances mainly due to a $99.2 million drop in payables at SaskPower caused by increased expenditures for the carbon capture and storage initiative in 2011, and a $63.1 million decrease in the provision for unpaid claims at SGI due to higher storm and flood claims in 2011.

Cash used in investing activities increased $447.5 million to $1,605.1 million (2011 - $1,157.6 million) mainly due to higher investment purchases and capital spending, as well as reduced funding provided by changes in restricted cash and cash equivalents balances. These outflows were only partially offset by increased proceeds from the sale and collection of investments.

Investment purchases were $774.0 million (2011 - $750.5 million) or a $23.5 million increase from 2011 mainly due to: (1) a $93.0 million increase in purchases by SGI due to efforts to manage its investment portfolio mix during the year; and (2) a $41.4 million increase in purchases by SIIF reflecting the initiation of loans to builders and developers under the Headstart on a Home Program; partially offset by: (3) a $61.7 million decrease at CIC AMI due to less roll over of cash, cash equivalents and short-term investments related to choosing investments with longer term maturities; and (4) a $47.6 million decrease at CIC (separate) due to less cash being available for investing in 2012 versus 2011 .

Capital spending increased $388.4 million to $1,512.0 million (2011 - $1,123.6 million) due mainly to:
(1) a $324.3 increase at SaskPower primarily for customer connects, the life extension of existing infrastructure, and the carbon capture and storage initiative; and (2) a $54.1 million increase at SaskTel due primarily to FTTP and cellular network upgrades to LTE technology as well as Customer Relationship Management and Field Services Efficiency software.

Proceeds from the sale and collection of investments increased $55.0 million to $640.7 million (2011 - $585.7 million). SGI proceeds increased $37.8 million due to efforts to manage its investment portfolio mix during the year. CIC (separate) proceeds increased $19.6 million due mainly to receipt of $24.2 million pursuant to the sale of Apex, as described in Note 10(d) to the consolidated financial statements. SIIF proceeds increased $7.1 million due to the inception of loan principal repayments from builders and developers under the Headstart on a Home Program in 2012.

ANALYSIS OF 2012 CONSOLIDATED CAPITAL RESOURCES *(continued)*

OPERATING, INVESTING AND FINANCING ACTIVITIES *(continued)*

Cash impacts from changes in restricted cash and cash equivalent balances resulted in a $91.6 million inflow in 2011 but a $7.2 million outflow in 2012. The incremental decrease in cash flows of $98.8 million was primarily related to a $110.5 million reduction in inflows caused by fully exhausting funding received from the GRF for carbon capture and storage initiatives during 2011; partially offset by a $7.0 million increase in restricted cash received by SIIF from the Government of Canada, net of loans made to builders and developers, for the Government of Saskatchewan's Headstart on a Home Program (See Note 8(b) to the consolidated financial statements).

Net cash from financing activities was $634.4 million (2011 - $3.8 million). The $630.6 million increase in cash inflows resulted from a:

- $6.4 million decrease in net sinking fund instalments;
- Increase in net proceeds from notes payable of $229.3 million compared to 2011;
- $490.7 million increase in debt proceeds; and a
- $93.7 million increase in other liabilities.

Partially offset by a:

- $151.6 million increase in dividends paid to the GRF; and a
- $37.9 million increase in debt repayments.

COMPARISON OF 2012 RESULTS WITH BUDGET

(millions of dollars)

	2012 Earnings		2012 CIC Dividends	
	Budget	Actual	Budget	Actual
SaskPower	$ 156.7	$ 152.9	$ 120.0	$ 120.0
SaskTel	91.1	129.6	59.2	84.3
SaskEnergy	65.4	106.5	25.0	27.2
SGI	33.7	82.1	6.9	52.0
CIC AMI	(1.6)	(4.3)	70.0	15.0
ISC	13.9	21.2	12.5	19.1
SGC	26.0	26.3	20.8	21.0
SaskWater	1.6	3.0	-	-
STC	(0.4)	(1.0)	-	-
SOCO	4.0	4.3	2.6	2.8
SIIF	(0.6)	(0.2)	-	-
CIC (separate), Other, Adjustments[1]	(43.6)	(41.5)	-	5.0
Totals	$ 346.2	$ 478.9	$ 317.0	$ 346.4

[1] Included in CIC (separate), Other, Adjustments is a $5.0 million unbudgeted dividend from CIC Apex Equity Holdco Ltd. received pursuant to the sale of Apex as described in Note 8(d) to the CIC (separate) financial statements.

COMPARISON OF 2012 RESULTS WITH BUDGET *(continued)*

The preceding table shows results for the commercial Crown corporations in 2012 in comparison to business plan targets. Consolidated earnings for 2012 of $478.9 million were $132.7 million higher than budgeted earnings of $346.2 million. Dividends to CIC in 2012 of $346.4 million were $29.4 million above budgeted dividends of $317.0 million. Dividend revenue is directly proportionate to the earnings of the dividend paying Crown corporations. Accordingly, the dividend variances reported for all subsidiaries mainly related to favourable or unfavourable actual versus budgeted earnings impacts. Earnings variances are explained as follows:

- SaskTel earnings were $38.5 million higher than budget due mainly to: (1) a $9.0 million increase in operating revenues. Higher than anticipated wireless average revenue per unit, as well as increased data, long distance and access revenue were only partially offset by lower than expected *Max*™ Entertainment revenues, due to lower than budgeted customers, and lower than budgeted consulting services; (2) a $21.2 million decrease in operating expenses primarily due to lower salaries and benefits; and (3) a $2.2 million decrease in net finance expenses due to lower than expected interest on long-term debt;
- SaskEnergy earnings were $41.1 million above budget due mainly to unbudgeted favourable fair value adjustments on natural gas management activities. SaskEnergy does not budget fair value adjustments, as these adjustments can vary significantly and do not necessarily represent the amount that will be realized. Excluding fair value adjustments, earnings from operations was $6.7 million above budget due mainly to higher realized margins on natural gas sales;
- SGI earnings were $48.4 million above budget primarily due to lower than expected claims costs attributed to a lower number of claims, relatively few large losses, and better than expected development on prior-year losses;
- CIC AMI loss was $2.7 million higher than budget primarily due to the provision for loan losses exceeding budget by $15.3 million, partially offset by equity earnings from investments exceeding budget by $7.9 million, and unbudgeted appreciation of investments of $3.1 million;
- ISC earnings were $7.3 million higher than budget primarily due to increased revenues in the Land Registry, Saskatchewan Personal Property Registry and Corporate Registry resulting from a strong economy;
- SaskWater earnings were $1.4 million above budget as a result of higher than anticipated water volumes, and project management activity; and
- SIIF loss was $0.2 million or $0.4 million lower than the budgeted loss of $0.6 million due to the unbudgeted impacts resulting from recording premiums on amounts received from the Government of Canada as required by IFRS.

A CLOSER VIEW OF CIC'S HOLDINGS

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures and partnerships held through CIC's wholly-owned subsidiaries.

INVESTMENT	MAJOR BUSINESS LINE
	Utilities:
Saskatchewan Power Corporation (SaskPower)	Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications
SaskEnergy Incorporated (SaskEnergy)	Natural Gas Storage and Delivery
Saskatchewan Water Corporation (SaskWater)	Water and Wastewater Management
Information Services Corporation of Saskatchewan (ISC)	Registry Services
	Insurance:
Saskatchewan Government Insurance (SGI)	Property and Casualty
	Entertainment:
Saskatchewan Gaming Corporation (SGC)	Gaming
	Investment and Economic Growth:
CIC Asset Management Inc. (CIC AMI)	Investments
Saskatchewan Opportunities Corporation (SOCO)	Research Parks
Saskatchewan Development Fund Corporation (SDFC)[1]	Inactive
Saskatchewan Immigrant Investor Fund (SIIF)	Construction Loans
	Transportation:
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation

[1] SDFC ceased operations on December 31, 2010 and the net assets were transferred to CIC as a dividend.

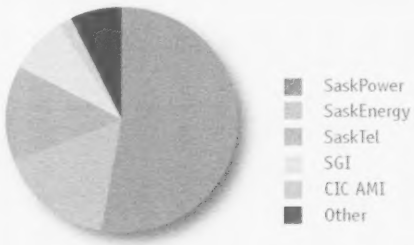
Profiles of material subsidiary corporations are included in this section. SDFC is inactive and immaterial to the consolidated operations of CIC, and therefore its profile has not been included in this section. Each subsidiary Crown corporation prepares an annual report, which is tabled in the Legislative Assembly. These annual reports can be found through CIC's website at www.cicorp.sk.ca.

The data on the following page illustrates the importance of the utility business segment to the financial results of the Corporation. Of these corporations, SaskPower, SaskTel, SaskEnergy and SGI are the most significant in terms of assets, liabilities, and operating earnings generated.

SEGMENTED INFORMATION

TOTAL ASSETS BY BUSINESS SEGMENT

TOTAL ASSETS BY CORPORATION



(millions of dollars)	Utilities		Entertainment		Insurance		Transportation		Investment & Economic Growth		Other & Adjustments[1]		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Statement of Income for the year ended December 31														
Total revenue	3,972	4,020	136	134	484	449	28	28	45	43	(119)	(127)	4,546	4,547
Operating expenses & other	(3,305)	(3,386)	(109)	(107)	(435)	(458)	(29)	(28)	(56)	(14)	88	68	(3,846)	(3,925)
Net finance (expenses) income	(275)	(231)	(1)	(1)	33	10	-	-	6	13	4	5	(233)	(204)
Earnings (loss) before the following:	392	403	26	26	82	1	(1)	-	(5)	42	(27)	(54)	467	418
Share of net earnings from equity accounted investees	12	11	-	-	-	-	-	-	7	-	-	-	19	11
Gain from discontinued operations	-	31	-	-	-	-	-	-	-	-	-	-	-	31
Net loss on sale of equity accounted investees	-	(9)	-	-	-	-	-	-	(7)	-	-	-	(7)	(9)
Earnings (loss)	404	436	26	26	82	1	(1)	-	(5)	42	(27)	(54)	479	451
Statement of Financial Position as at December 31														
Current assets	1,071	1,033	12	14	409	434	3	5	280	249	371	337	2,146	2,072
Investments & other	664	604	-	-	637	522	-	-	87	120	-	-	1,388	1,246
Capital assets[2]	9,358	8,429	67	69	33	33	36	36	178	177	(56)	(59)	9,616	8,685
	11,093	10,066	79	83	1,079	989	39	41	545	546	315	278	13,150	12,003
Current liabilities	2,224	1,713	24	24	551	494	3	4	21	33	(111)	(104)	2,712	2,164
Long-term debt	4,198	3,849	11	12	-	-	-	-	131	92	-	-	4,340	3,953
Finance lease obligations	547	552	6	6	-	-	-	-	-	-	-	-	553	558
Other	928	842	-	-	247	241	29	29	69	69	(70)	(74)	1,203	1,107
	7,897	6,956	41	42	798	735	32	33	221	194	(181)	(178)	8,808	7,782
Province's equity	3,196	3,110	38	41	281	254	7	8	324	352	496	456	4,342	4,221
	11,093	10,066	79	83	1,079	989	39	41	545	546	315	278	13,150	12,003
Statement of Cash Flows for the year ended December 31														
Operating activities														
Ongoing operations	842	990	34	35	78	66	(1)	-	10	17	(30)	(59)	933	1,049
Discontinued operations	-	64	-	-	-	-	-	-	-	-	-	-	-	64
	842	1,054	34	35	78	66	(1)	-	10	17	(30)	(59)	933	1,113
Investing activities														
Capital asset purchases[2]	(1,490)	(1,108)	(5)	(4)	(5)	(3)	(3)	(1)	(9)	(8)	-	-	(1,512)	(1,124)
Other	16	43	-	-	(88)	(36)	-	-	(35)	(90)	14	49	(93)	(34)
	(1,474)	(1,065)	(5)	(4)	(93)	(39)	(3)	(1)	(44)	(98)	14	49	(1,605)	(1,158)
Financing activities														
Debt proceeds	502	4	-	-	-	-	-	-	41	49	-	-	543	53
Debt repayments	(54)	(14)	(1)	(3)	-	-	-	-	-	-	-	-	(55)	(17)
Dividends paid to CIC	(271)	(174)	(21)	(18)	(10)	(15)	-	-	(19)	(4)	41	82	(280)	(129)
Equity (repaid) received	-	-	(9)	(7)	-	-	-	-	-	-	9	7	-	-
Other	427	204	-	-	-	-	2	1	2	(3)	(5)	(105)	426	97
	604	20	(31)	(28)	(10)	(15)	2	1	24	42	45	(16)	634	4
Change in Cash	(28)	9	(2)	3	(25)	12	(2)	-	(10)	(39)	29	(26)	(38)	(41)

[1] Other and adjustments includes the operations of CIC (separate) and consolidation elimination entries.
[2] Capital assets include property plant and equipment, investment property and intangible assets.

SaskPower

In 2012, SaskPower made a record $980.9 million in capital expenditures, investing in SaskPower's electrical system and renewal of the generation, transmission and distribution infrastructure.

2012 RESULTS VS. 2011 RESULTS

- Earnings of $152.9 million (2011 – $248.0 million) decreased primarily due to higher operating, fuel and depreciation costs.
- Revenue of $1,862.5 million (2011 – $1,837.6 million) increased largely due to higher Saskatchewan electricity sales. Electricity sales volumes to Saskatchewan customers were 19,497 GWh, up 271 GWh or 1.4 per cent compared to the prior year. Exports increased due to higher sales prices and volumes as a result of increased market opportunities in Alberta. In addition, other revenue decreased as a result of lower customer contributions.
- Expenses of $1,715.7 million (2011 – $1,598.9 million) increased due to rising operating costs as the result of increased storm activity, additional preventative maintenance costs and spending on various new initiatives. Fuel and purchased power costs were up as a result of an unfavourable change in the fuel mix as lower cost hydro generation was replaced with more expensive natural gas generation. Depreciation expense increased as a result of $1.6 billion in capital investment over the past 2 years.
- SaskPower recorded $6.1 million in unrealized market value gains in 2012 (2011 – $9.3 million). The unrealized market value gains represent the change in the market value of SaskPower's outstanding natural gas hedges, electricity contracts and debt retirement funds.
- Gross long term and short-term debt of $3,675.9 million (2011 – $2,958.1 million) increased due to additional borrowings during the year to finance capital expenditures.
- SaskPower invested $980.9 million (2011 – $624.5 million) in various capital projects including new generation, customer connects and the life extension of existing infrastructure.
- Debt ratio of 67.4 per cent (2011 – 63.0 per cent) increased as a result of the increased borrowings during the year.
- Return on equity of 8.2 per cent (2011 – 13.7 per cent) decreased due to the decline in earnings.
- Dividends declared to CIC were $120.0 million (2011 – Nil).

2012 RESULTS VS. 2012 BUDGET

- Earnings were $3.8 million below the budget of $156.7 million primarily due to lower Saskatchewan electricity sales.

KEY FINANCIAL DATA	2012 Actual	2012 Bus. Plan	2011 Actual	2010 Actual	2009[1] Actual	2008[1] Actual
Earnings	$ 152.9M	$ 156.7M	$ 248.0M	$ 203.5M	$ 102.7M	$ 63.5M
Operating earnings	$ 146.8M	$ 156.7M	$ 238.7M	$ 222.5M	$ 96.1M	$ 93.9M
Dividend declared to CIC	$ 120.0M	$ 120.0M	Nil	Nil	Nil	$ 46.0M
Total assets	$7,011.1M	$6,996.0M	$ 6,281.7M	$ 5,698.8M	$ 4,948.8M	$ 4,520.2M
ROE	8.2%	7.6%	13.7%	12.3%	6.5%	4.2%
Debt ratio	67.4%	63.8%	63.0%	63.0%	61.4%	60.7%

[1] Amounts for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.

- Revenues were $9.0 million lower than the budget of $1,871.5 million as a result of lower demand from large industrial customers which reduced Saskatchewan electricity sales. The decline in electricity sales was partially offset by improved export market opportunities.
- Expenses were $0.9 million higher than the $1,714.8 million budget primarily due to a decrease in fuel and purchased power costs as a result of favourable volume and fuel mix variances. Finance charges were also lower than budget as a result of lower interest expense and higher interest capitalized. These decreases were offset by higher operating costs as a result of increased maintenance costs and additional losses on asset retirements.
- The remaining difference related to $6.1 million in unbudgeted unrealized market value gains recorded in 2012.

2013 OUTLOOK

- Earnings are expected to decrease in 2013 to $126.1 million largely as a result of higher expenses. The largest anticipated increases are in fuel and purchased power costs, depreciation and finance charges. Fuel and purchased power costs are expected to increase due to higher generation volumes and an unfavourable change in the fuel mix as it is anticipated that hydro will return to median levels. Operating costs are expected to remain flat while depreciation, finance charges, taxes and other expenses are expected to increase as a result of SaskPower's ongoing capital program.
- These increases in expenses are expected to be partially offset by higher Saskatchewan electricity sales due to an increase in domestic demand primarily in the oilfield and large industrial customer segments. SaskPower also received approval for a system wide average rate increase of 5.0 per cent effective January 1, 2013 which is expected to provide $89.0 million in additional revenue in 2013, which will also partially offset expense increases.
- SaskPower plans to continue making significant investments in its generation, transmission and distribution infrastructure with anticipated capital expenditures of approximately $1,150.0 million in 2013.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- SaskPower's asset maintenance is critical to infrastructure reliability, system security and availability. By assessing critical asset risk and developing a responsive asset management plan, SaskPower is able to optimize capital spending and manage its assets efficiently and effectively.
- SaskPower may be subject to criminal or malicious attacks, both in cyber and physical ways, potentially resulting in disruption of business operations and services and loss of or damage to information, facilities and equipment. SaskPower maintains industry standard policies, processes and technical safeguards to ensure only authorized access and use of its information systems and corporate assets.
- SaskPower must enact cost controls and reductions to demonstrate ongoing cost management and achieve timely approval of requested rate increases to meet return on equity targets and to maintain appropriate debt levels.

KEY OPERATIONAL DATA	2012	2011	2010	2009	2008
Total customer accounts	490,611	481,985	473,007	467,329	460,006
Gross electricity supplied (gigawatt hours)	22,129	21,611	20,759	19,864	20,480
Available generating capacity (net megawatts)	4,104	4,094	3,982	3,840	3,641
Annual peak load (net megawatts)	3,314	3,195	3,162	3,231	3,194
Power lines (kilometres)	151,257	151,966	150,085	149,497	149,118
Permanent full-time employees	2,830	2,701	2,727	2,653	2,541

SaskTel

SaskTel had a strong year, exceeding all financial targets, while completing the largest capital program in its history.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS

- SaskTel has, for the thirteenth consecutive year, been named one of the Top 100 Employers in Canada as well as one of Canada's Greenest Employers as named by MediaCorp Canada Inc. SaskTel's communication services continue to expand throughout the province with over 1.4 million customer connections.
- During 2012, SaskTel continued to upgrade and expand the new 4G network, the largest in Saskatchewan. Fibre to the Premises (FTTP), a program to provide broadband access to the province, and Long term Evolution (LTE), the next evolution of wireless commerce, also saw significant investment.
- Earnings for the year were $129.6 million (2011 – $154.0 million) down $24.4 million from 2011, and cash provided by operating activities was $287.5 million (2011 – $250.3 million).
- Total operating revenues increased to $1,182.4 million (2011 – $1,125.8 million), up $56.6 million from 2011 primarily due to continued strong customer growth in cellular, *Max*™ Entertainment, wireless, data and internet services as well as increased demand for these services.
- Total operating expenses were $1,042.5 million (2011 – $997.5 million), up $45.0 million from 2011 primarily due to increased goods and services purchased to support revenue growth in wireless, *Max*™ Entertainment, data and internet revenues. In addition, depreciation and amortization increased $15.1 million due to increased plant in service.
- Net finance expense increased to $21.0 million (2011 – $10.1 million), up $10.9 million from 2011. The increase in costs is driven by increased borrowings to fund SaskTel's construction program, reduced capitalized interest resulting from significantly lower plant under construction in 2012 compared to 2011, combined with decreases in the fair value of sinking funds.
- Debt of $666.5 million (2011 – $538.0 million) increased by $128.5 million due the issuance of long term debt during the year. The overall level of debt increased to support increased investing activities.
- Net capital expenditures for the year are $408.4 million (2011 – $254.9 million), up $53.5 million from 2011, primarily due to significant capital spending on corporate priority programs, as well as increased spending on intangible assets. SaskTel's net capital spending on property, plant and equipment in 2012 was $253.2 million, up $31.4 million from 2011 primarily due to increased spending on FTTP and the cellular network upgrade to LTE technology.

KEY FINANCIAL DATA	2012 Actual	2012 Bus. Plan	2011 Actual	2010 Actual	2009[1] Actual	2008[1] Actual
Earnings	$ 129.6M	$ 91.1M	$ 154.0M	$ 149.5M	$ 129.0M	$ 123.6M
Operating revenue	$ 1,182.4M	$ 1,173.4M	$ 1,125.8M	$ 1,113.0M	$ 1,119.6M	$ 1,139.1M
Dividend declared to CIC	$ 84.3M	$ 59.2M	$ 138.6M	$ 139.7M	$ 103.2M	$ 78.9M
Total assets	$ 1,810.0M	$ 1,865.1M	$ 1,635.2M	$ 1,547.4M	$ 1,416.8M	$ 1,358.6M
ROE	16.8%	11.9%	20.7%	20.5%	16.2%	16.1%
Debt ratio	42.0%	47.9%	37.6%	36.1%	24.4%	27.3%

[1] Amounts for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.

SaskTel's net spending on intangible assets was $66.6 million, up $22.7 million from 2011 primarily due to increased spending on Customer Relationship Management and Field Services Efficiency software.
- Debt ratio of 42.0 per cent (2011 – 37.6 per cent) increased as a result of increased long term debt, partially offset by increased sinking funds and cash.
- Return on equity decreased to 16.8 per cent (2011 – 20.7 per cent) primarily due to gains from the disposal of discontinued operations recognized in 2011.
- Dividends of $84.3 million were declared in 2012 (2011 – $138.6 million).

COMPARISON OF 2012 RESULTS WITH BUDGET

- Earnings of $129.6 million was $38.5 million higher than budget.
- Operating revenues of $1,182.4 million were $9.0 million higher than budget primarily due to higher than anticipated wireless average revenue per unit, as well as increased data, long distance and access revenue. These variances are partially offset by unfavourable *Max*™ Entertainment revenues, due to lower than budgeted customers, as well as lower than budgeted consulting services.
- Operating expenses of $1,042.5 million were $21.2 million below budget primarily due to favourable salaries and benefits, *Max*™ content expenses, mobile content and roaming expenses, partially offset by increased hardware subsidies and cost of sales.
- Net finance expense of $21.0 million was $2.2 million lower than budget due to lower interest on long term debt.

2013 OUTLOOK

- SaskTel's targeted 2013 earnings are $93.8 million.
- Revenues from growth initiatives including cellular, internet and *Max*™ Entertainment services are projected to increase while revenues from local and long distance services are expected to decline. SaskTel forecasts gross revenues in excess of $1.0 billion for the eighth year in a row.
- SaskTel will continue to focus on productivity gains to further decrease costs.
- SaskTel has budgeted approximately $400.0 million on capital expenditures during 2013.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- SaskTel faces competitive pressures in all markets compounded by the decline of traditional revenues. Mitigations include development, implementation and realignment of marketing plans.
- Technological change has become a norm for the telecommunication industry. In addition, industry transformation continues at an accelerated pace moving to LTE and FTTP from existing network configurations. SaskTel's plans include aggressive network investment as well as information systems infrastructure roadmaps that identify the requirements to address the technology and industry transformation risks over the long term.
- The Industry Canada 700 megahertz (MHz) spectrum auction is currently scheduled for 2013. This spectrum is the most cost effective means to provide wireless technologies to rural Saskatchewan. Alternatives to the use of the 700 MHz spectrum are considerably more costly or provide a lower grade of service for rural residents. In addition to participating in the spectrum auction framework consultation process being managed by Industry Canada and lobbying efforts, SaskTel is identifying and considering alternatives to increase the likelihood that it will obtain the required spectrum. SaskTel is also considering alternative ways to serve wireless customers in the event that it does not obtain the required 700 MHz spectrum.
- With more than 1,400 locations throughout the province, SaskTel faces significant business interruption risk. SaskTel implemented stringent loss prevention programs as well as a Business Continuity Management program to respond to events where critical business functions and processes have been disrupted.

KEY OPERATIONAL DATA	2012	2011	2010	2009[1]	2008[1]
Full-time equivalent employees	4,031	4,053	4,328	3,479	3,659
Wireless accesses	607,659	594,405	568,904	549,767	510,886
Wireline accesses	492,070	514,351	528,546	543,585	555,668
Internet and data accesses	250,068	246,472	243,054	238,324	230,620
Max™ subscribers	97,262	93,960	85,537	77,831	70,463

[1] 2009 and 2008 reported as permanent full-time employees.

SaskEnergy

The strong economy led to the addition of 7,386 new customers for SaskEnergy, the most customers added in a single year since the 1980's.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS

- SaskEnergy experienced continued growth in 2012, adding 7,386 distribution customers, the highest figure in over two decades. The pace and magnitude of economic development in Saskatchewan also created significant industrial growth, as overall transmission volumes increased 4.3 per cent.
- Earnings of $106.5 million was significantly higher than the prior year (2011 - $25.5 million), largely due to $34.4 million in favourable market value adjustments (2011 - $58.4 million unfavourable). These unrealized market value adjustments, which include a $21.3 million improvement in the revaluation of natural gas in storage and a $13.1 million improvement in the fair value of financial and derivative instruments, vary considerably with natural gas prices. As a result, SaskEnergy uses operating earnings to compare performance from year to year.
- Operating earnings were $72.1 million (2011 - $83.9 million), with the decline largely attributable to unusually high customer capital contribution revenue in 2011 as several large transmission projects were completed that year.
- Revenues were $797.8 million and expenses were $650.2 million (2011 - $890.0 million and $823.3 million, respectively) driven by the continued market trend toward low natural gas prices.
- Net finance expense increased to $41.1 million (2011 - $32.6 million) related to a decline in the fair value of debt retirement funds and higher interest on long term debt given increased debt levels.
- Capital investment totaled $180.0 million (2011 - $171.3 million), with the majority invested to expand the capacity and maintain the integrity of SaskEnergy's extensive distribution and transmission systems. The increase reflects not only the sustained growth in Saskatchewan, but also SaskEnergy's commitment to enhance its already robust safety programming and integrity systems.
- Gross debt increased to $1,087.2 million (2011 - $1,028.1 million) to fund the record level of capital expenditures.
- Dividends of $27.2 million (2011 - $39.1 million) were declared to CIC based on operating earnings of $72.1 million.

KEY FINANCIAL DATA	2012 Actual	2012 Bus. Plan	2011 Actual	2010 Actual	2009[1] Actual	2008[1] Actual
Earnings	$ 106.5M	$ 65.4M	$ 25.5M	$ 50.2M	$ 93.3M	$ 29.2M
Operating earnings	$ 72.1M	$ 65.4M	$ 83.9M	$ 67.7M	$ 64.0M	$ 53.9M
Dividends declared to CIC	$ 27.2M	$ 25.0M	$ 39.1M	$ 48.8M	$ 51.2M	$ 42.9M
Total assets	$2,037.1M	$2,121.0M	$ 1,924.0M	$ 1,857.8M	$ 1,586.9M	$ 1,560.1M
ROE	11.0%	9.0%	13.6%	10.8%	13.5%	12.5%
Debt ratio	59.3%	57.0%	60.3%	58.7%	63.9%	66.4%

[1] Amounts for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.

COMPARISON OF 2012 RESULTS WITH BUDGET

- SaskEnergy does not budget market value adjustments, as these adjustments fluctuate and do not necessarily represent the amount that will be realized. Operating earnings of $72.1 million were $6.7 million above the budget primarily due to higher realized margins on natural gas sales.
- The realized margin on gas marketing sales was $19.4 million above budget due to low natural gas prices. Conversely, the realized loss on commodity sales was $16.6 million below budget given the reduction in the commodity rate effective April 1, 2012, from $4.55 per Gigajoule (GJ) to $3.82 per GJ. SaskEnergy's commodity rate is designed to recover the cost of gas. However, at any time, financial results may show a gain or a loss. These gains or losses are captured in the gas cost variance account, which is recovered or refunded through future commodity rates.
- Other expenses of $253.8 million were $1.3 million below budget, a result of SaskEnergy's continued commitment to finding innovative ways to improve efficiency while containing costs.

2013 OUTLOOK

- SaskEnergy has enjoyed business success by ensuring its strategic directions continue to evolve in alignment with Crown sector priorities, the realities of Saskatchewan's robust economy and the increasing expectations of SaskEnergy's more than 365,000 customers.
- To support economic development in the province and maintain customer satisfaction, SaskEnergy will continue to develop initiatives designed to meet the challenges and cost pressures created by growth. SaskEnergy will build on established efficiency and productivity successes. SaskEnergy anticipates operating earnings of $72.4 million in 2013 and will target to maintain a financially sound position. SaskEnergy anticipates capital investments in excess of $1.0 billion over the next five years. Most of this will be spent to maintain, improve and expand its transmission and distribution systems, and approximately $53.0 million has been forecast for strategic investments within Saskatchewan.
- SaskEnergy will continue to support energy efficiency by providing energy conservation programs, while at the same time striving to achieve the provincial greenhouse gas reduction targets by 2020.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- The safety and reliability of SaskEnergy's distribution and transmission systems is of utmost importance. Some of the main processes used to mitigate the risk of pipeline, facility and operational failure include employee and operator training, environmental policies, and system integrity, public awareness and safety programs.
- Economic growth has put pressure on SaskEnergy's capacity to deliver services and infrastructure on a timely basis to meet expectations. SaskEnergy has focused on building relationships with key industry associations, project management, tendering practices, and advanced planning and preliminary design.
- SaskEnergy is exposed to the risk of higher costs, delays or even project cancellations due to concerns of landowners and other interest groups. Through programs such as stakeholder engagement, aboriginal consultation, environmental assessments and public awareness, SaskEnergy works proactively with landowners and other interest groups to develop appropriate responses to concerns.

KEY OPERATIONAL DATA	2012	2011	2010	2009	2008
Permanent full-time equivalents	965	939	932	941	955
Total distribution customers	365,749	358,363	352,560	347,327	342,606
Residential average usage (m^3)	2,753	2,851	2,856	3,414	3,303
Distribution pipelines (km)	68,212	67,812	67,462	67,166	66,829
Transmission pipelines (km)	14,979	14,797	14,638	14,548	14,337
Compressor horsepower (HP)	92,570	91,420	88,550	87,400	89,035
Peak day gas flows (Petajoules)	1.20	1.09	1.07	1.19	1.50

SaskWater
The Quality Advantage

SaskWater has been working extensively with the potash sector in recent years, and signed two major non-potable water supply agreements in 2012.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS

- Earnings for the year were $3.0 million (2011 – $3.5 million). Water sales increased compared to 2011 due to growth of new and existing customers and project management work was higher than expected.
- Revenues of $41.8 million (2011 – $34.2 million) increased by $7.6 million primarily due to increased revenues in potable (growth from new and existing customers) and non potable water (increased industrial water usage) and project management activities in the potash sector as companies are investigating possible mine sites in Saskatchewan.
- Expenses of $36.9 million (2011 – $29.6 million) increased by $7.3 million primarily due to increased costs relating to new potable and non potable service and project management activities.
- Net finance expense of $1.8 million (2011 – $1.1 million) increased by $0.7 million, where market adjustments on debt retirement funds accounted for the majority of the increase.
- Debt was $59.9 million (2011 – $60.9 million), a decrease of $1.0 million. This decrease relates to lower short-term debt and no additional long-term debt during the year.
- Capital spending of $26.0 million (2011 – $31.1 million) decreased by $5.1 million primarily due to schedule changes from customers on industrial projects. SaskWater's investment in capital spending net of customer contributions was $5.6 million in 2012.
- Total water services volumes were 40.7 million m^3 (2011 – 35.2 million m^3). The increase was a result of new and existing customer growth and increased industrial water usage.
- Debt ratio of 53.9 per cent (2011 – 57.6 per cent) decreased by 3.7 percentage points.

COMPARISON OF 2012 RESULTS WITH BUDGET

- Earnings were higher than budget as a result of higher than anticipated water volumes and project management activity.
- Revenues were $3.3 million greater than the $38.5 million budget due primarily to higher revenues than expected for project management.
- Expenses were $2.0 million greater than the $34.9 million budget primarily due to higher than expected project management activity.

KEY FINANCIAL DATA	2012 Actual	2012 Bus. Plan	2011 Actual	2010 Actual	2009[1] Actual	2008[1] Actual
Earnings (loss)	$ 3.0M	$ 1.6M	$ 3.5M	$ 0.4M	$ 0.5M	$ (1.0M)
Total assets	$ 186.4M	$ 256.1M	$ 179.3M	$ 153.8M	$ 95.0M	$ 79.1M
ROE	7.5%	4.2%	9.4%	1.3%	1.4%	(3.1%)
Debt ratio	53.9%	57.8%	57.6%	58.5%	58.3%	55.2%

[1] Amounts for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.

2013 OUTLOOK

- SaskWater has budgeted total revenues to increase by 6.0 per cent ($2.5 million) to $44.3 million as a result of continued growth from municipal potable customers as well as increased industrial water usage. These increases are expected to be offset by a slowdown in project management work as the potash related projects either come to a close or move to the construction phase.
- Budgeted total expenses and net finance expense are expected to increase in relation with increased budgeted revenues.
- SaskWater expects to invest $16.6 million net ($81.9 million gross) in water and wastewater infrastructure projects in the province.
- SaskWater has budgeted earnings of $4.0 million in 2013.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- SaskWater has financial risks that include insufficient revenues due to a customer base that is small, which limits economies of scale, as well as a dependence on a small number of large volume users and the existence of legacy contracts. Mitigation strategies in place include minimum purchase requirements, efficiency programs, cost of service rates and a three year rate increase. Future action plans include examining rate design and renegotiating legacy contracts.
- The supply of water for human consumption carries a risk of contamination if mitigation strategies are not in place. SaskWater's current mitigation strategies include meeting or exceeding regulatory requirements, undergoing extensive testing and public reporting of water quality and utilizing remote monitoring 24 hours per day, 365 days per year.
- Mechanical failures, accidents, storms and power failures can result in service interruptions. SaskWater's current mitigation strategies include increased asset refurbishment, emergency response plans and vulnerability assessments for facilities. Future action plans include a preventative maintenance program.

KEY OPERATIONAL DATA	2012	2011	2010	2009	2008
Total customer accounts	402	395	373	371	369
Total sales volumes (cubic metres)	40.7M	35.2M	20.7M	19.2M	21.4M
Kilometres of potable and non-potable pipeline	862	860	850	822	809
Full-time equivalent employees	105	101	95	90	97

Information Services Corporation

ISC experienced steady financial growth, strong customer satisfaction and high employee engagement.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS

- ISC supported the New West Partnership agreement by streamlining business registration and reporting requirements in Saskatchewan, integrating them with those of British Columbia and Alberta. Businesses can now register online as a corporation in up to three provinces at one time.
- All new Saskatchewan business corporations registering through ISC's Corporate Registry or Business Registrations Saskatchewan are now assigned a Canada Revenue Agency business number at the same time to facilitate their interactions with government agencies.
- A new service on ISC's website gives customers the ability to order Vital Statistics certificates online, 24 hours a day, 7 days a week.
- In collaboration with the Saskatchewan Ministry of the Economy, ISC launched a new online system for issuing mineral permits, claims and leases called Mineral Administration Registry Saskatchewan (MARS).
- ISC was named one of Saskatchewan's Top Employers, one of Canada's Best Diversity Employers, one of Canada's Top Youth Employers and one of Canada's Greenest Employers in 2012.
- Earnings increased by $4.0 million to $21.2 million (2011 – $17.2 million) with increased expenses only partially offsetting higher revenues.
- Revenues increased by $6.5 million to $77.3 million (2011 – $70.8 million) mainly attributed to the positive impact of the strong Saskatchewan economy on Land Registry and Saskatchewan Personal Property Registry revenues.
- Expenses increased $2.5 million to $56.1 million (2011 – $53.6 million) mainly due to increases in wages and salaries, information technology services costs and depreciation and amortization; partially offset by a decrease in research and development costs.
- In 2012, ISC repaid $1.1 million in long-term debt and re-financed $9.9 million of short-term debt.
- Capital spending for 2012 was $7.7 million (2011 – $6.9 million), primarily related to the Business Registrations Saskatchewan portal, Vital Statistics system renewal and document conversion, New West Partnership, Customer Service Centre's leasehold improvements and MARS.

KEY FINANCIAL DATA	2012 Actual	2012 Bus. Plan	2011 Actual	2010 Actual	2009[1] Actual	2008[1] Actual
Earnings	$ 21.2M	$ 13.9M	$ 17.2M	$ 15.6M	$ 15.1M	$ 22.4M
Dividends declared to CIC	$ 19.1M	$ 12.5M	$ 15.5M	$ 14.0M	$ 13.6M	$ 21.1M
Total assets	$ 48.6M	$ 43.0M	$ 47.4M	$ 43.9M	$ 44.7M	$ 40.1M
ROE	101.7%	68.7%	90.8%	90.1%	95.4%	N/A
Debt ratio	31.2%	32.1%	35.9%	42.8%	46.2%	48.5%

[1] Amounts for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.

COMPARISON OF 2012 RESULTS WITH BUDGET

- Earnings were $7.3 million more than budget, primarily due to higher than expected revenues in the Land Registry, Saskatchewan Personal Property Registry and Corporate Registry resulting from the strong Saskatchewan economy.
- Dividends were $6.6 million higher than budget due to the better than expected earnings.

2013 OUTLOOK

- Revenues are expected to remain strong in 2013 as the real estate market conditions are favourable.
- ISC will continue to focus on growth while implementing efficiencies within operations.
- As work continues to modernize the registries, ISC will continue to enhance the service it provides to customers.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- In order to achieve corporate goals, ISC must attain cost efficiencies in new and existing product lines. Mitigation actions include attaining a deeper understanding of costs through product line costing to achieve efficiencies.
- ISC must effectively integrate new business lines into the organization with little or no interruption to current business. Mitigation actions include identification of key functions in the organization such as change management and development of new service implementation to provide focused resources and controls for integration.
- ISC must ensure governing stakeholder alignment. Mitigation actions include ensuring a clear long term and short-term corporate strategy and vision to provide assurance to stakeholders that the organization is meeting expectations.

KEY OPERATIONAL DATA	2012	2011	2010	2009	2008
Permanent full-time equivalents	322	318	276	269	277
Land registry - total packets processed	197,166	204,089	204,915	205,747	246,168
Land survey - total plans received	3,415	2,825	2,872	3,553	3,094

SGI CANADA

SGI CANADA achieved the highest underwriting profit in its history, with all jurisdictions contributing to the favourable results.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS

- Earnings of $82.1 million (2011 – $0.4 million) provided a strong return on equity of 30.7 per cent in 2012, compared to 2011. Strong underwriting results from all jurisdictions, in combination with improved investment earnings, contributed to the successful results. The 2012 underwriting earnings of $55.6 million is the highest in SGI CANADA's history.
- Premium revenues were $482.8 million (2011 – $449.1 million), with Saskatchewan and Alberta operations accounting for the majority of the premium growth.
- Investment earnings were $33.1 million (2011 – $9.5 million), with the increase being due to strong equity returns, particularly in the U.S. and international markets. While stable interest rates resulted in relatively constant interest income, capital gains decreased, resulting in lower overall fixed income returns compared to 2011.
- Claims incurred decreased to $246.2 million (2011 – $290.6 million) with all jurisdictions experiencing improved claims results. The decrease is attributable to fewer claim counts, fewer large losses and lower storm costs. Saskatchewan summer storm claim costs were $16.5 million in 2012, compared to $32.4 million in 2011.

COMPARISON OF 2012 RESULTS WITH BUDGET

- Earnings were $48.4 million higher than budget due to lower than expected claim costs and higher than planned investment returns.
- Revenues of $515.9 million were less than budget by $7.7 million. While investment earnings of $33.1 million were $9.7 million higher than planned, premium revenue was $17.4 million, or 3.5 per cent, lower than anticipated due primarily to lower Ontario auto and personal property business.
- Claims incurred of $246.2 million were $56.1 million or 18.5 per cent lower than the budgeted amount of $302.3 million. The favourable results were due primarily to a lower number of claims, relatively few large losses and better than expected development on prior year losses.

KEY FINANCIAL DATA	2012 Actual	2012 Bus. Plan	2011 Actual	2010 Actual	2009[2] Actual	2008[2] Actual
Earnings	$ 82.1M	$ 33.7M	$ 0.4M	$ 49.3M	$ 52.4M	$ 40.4M
Dividend declared to CIC	$ 52.0M	$ 6.9M	Nil	$ 43.5M	$ 34.0M	$ 26.2M
Total assets	$ 1,073.6M	$ 1,041.0M	$ 981.8M	$ 905.3M	$ 827.4M	$ 717.3M
ROE	30.7%	11.6%	0.2%	19.0%	26.5%	22.3%
Minimum Capital Test[1]	250%	250%	222%	247%	254%	228%

[1] The Minimum Capital Test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.
[2] Amounts for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.

2013 OUTLOOK

- Heading into 2013, SGI CANADA is focused on two critical priorities: protecting its Saskatchewan book of business; and, evolving to a customer-centric business model. This will require implementing new methods of interacting with consumers, and successfully integrating those methods with the existing independent broker channel.
- SGI CANADA is also working to fully leverage internal and external data, with projects ongoing related to business intelligence to build further sophistication into policy rating and claims management. It also aims to keep expense ratios as low as possible by leveraging technology where possible to achieve productivity and efficiency improvements.
- To protect SGI CANADA's financial viability, it has long focused on achieving a better spread of risk geographically. Alberta and Ontario are two key markets for meeting geographic diversification goals, and in 2013, SGI CANADA will focus on continuing to build on the success experienced in these markets in 2012.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- On an annual basis, management reviews the key risks faced by SGI CANADA by identifying specific risk events and their potential impact on SGI CANADA's operations, finances and reputation. Each risk event is rated based on the likelihood of the event occurring and severity of the consequences if it did occur, both before and after the application of potential mitigations. This process results in a risk profile for SGI CANADA, which is reviewed by the Risk Committee of the Board of Directors annually. SGI's Audit Services department also uses the risk profile in developing its annual work plan, providing an assurance component to SGI's risk management process.
- The top five risks identified are: increased competition, a weakened distribution channel, poor leadership/strategy, a significant privacy breach, and inferior product design and pricing.
- These risks represent key areas in SGI's strategic plan, and as such, SGI CANADA has prioritized resources towards key business processes and corporate projects which will mitigate these risks.

KEY OPERATIONAL DATA	2012	2011	2010	2009	2008
Permanent full-time employees	1,833	1,807	1,826	1,842	1,801
Net premiums written	$ 491.8M	$ 471.6M	$ 428.3M	$ 393.9M	$ 353.4M
Number of policies in force	580,043	570,957	563,922	550,821	534,732
Number of claims	99,115	102,712	92,294	85,722	79,836

SGI

The strong Saskatchewan economy continues to result in premium growth from higher vehicle populations combined with newer vehicles being registered.

The Saskatchewan Auto Fund (the Auto Fund) is not a subsidiary Crown corporation. Its results are included in this report because of SGI's administration of the Auto Fund. The results of the Auto Fund are not included in CIC's or SGI's consolidated financial statements.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS

- The Auto Fund experienced a decrease to the Rate Stabilization Reserve (RSR) of $7.2 million in 2012, compared to a $137.6 million decrease in 2011. The improvement was from both stronger underwriting results and investment earnings, combined with a $4.4 million appropriation from the redevelopment reserve.
- The strong Saskatchewan economy continues to play an important role in the Auto Fund's growth, as higher vehicle populations combined with newer vehicles being registered are resulting in continued premium growth.
- The most significant factor in the improved underwriting results is lower overall claim costs resulting from a favourable change in discounting the provision for unpaid claims, combined with lower storm claim costs. At the same time, there was an increase in damage claims due to poor winter driving conditions in the fourth quarter and a continued increase in injury claim severity due to higher long term medical and care benefit costs and increased income replacement benefits.
- Investment earnings increased $23.2 million from 2011, consistent with the improvement in global investment markets. Equity markets generated strong returns, particularly in the U.S. and international markets. While stable interest rates resulted in relatively constant interest income, capital gains decreased significantly, resulting in lower overall fixed income returns compared to 2011. The Auto Fund continues to refine its asset liability matching strategy, which better positions the investment asset mix to manage interest rate risk.
- The Rate Stabilization Reserve decreased to $127.1 million in 2012 (2011 - $134.3 million).

KEY FINANCIAL DATA	2012 Actual	2012 Bus. Plan	2011 Actual	2010 Actual	2009[2] Actual	2008[2] Actual
Deficit (earnings)	$ (11.5M)	$ (8.9M)	$ (142.9M)	$ 92.7M	$ (40.8M)	$ (42.7M)
Total assets	$ 1,825.0M	$ 1,854.3M	$ 1,711.4M	$ 1,644.5M	$ 1,486.2M	$ 1,342.7M
Minimum Capital Test[1]	51%	45%	60%	126%	83%	61%
Rate Stabilization Reserve	$ 127.1M	$ 129.7M	$ 134.3M	$ 271.9M	$ 67.2M	$ 102.5M

[1] The Minimum Capital Test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.
[2] Amounts for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.

COMPARISON OF 2012 RESULTS WITH BUDGET

- The deficit of $11.5 million resulted in an unfavourable variance of $2.6 million, compared to budget. This was due to higher than anticipated claim costs, partially offset by higher investment income.
- Claim costs were $35.6 million (5.1 per cent) higher than budgeted, as the overall loss ratio of 96.5 per cent was 5.4 per cent higher than budgeted. Claim costs were higher than expected due to higher than anticipated damage claim costs, additional reserving for medical and care benefits, and a lower offset from discounting than expected.
- Overall investment earnings were $74.8 million, $30.6 million higher than planned. This was due to positive fixed income returns from the matching portfolio, which were $21.1 million higher than budgeted. In addition, the return seeking portfolio, consisting of equities and real estate, returned $42.2 million compared to a budget of $32.3 million, a favourable variance of $9.9 million.

2013 OUTLOOK

- With the strength of the Saskatchewan economy, the Auto Fund anticipates continued revenue growth attributable to a newer vehicle base and positive growth in vehicle counts.
- Claim costs will continue to escalate due to more vehicles on the roads, rising vehicle repair costs in the province, higher income replacement benefits for injured persons, and more frequent significant weather events.
- While investment returns improved through 2012, challenging investment markets are expected to continue due to generally sluggish global economic growth.
- With the expected cost of claims and expenses outpacing growth in premium and investment income, and the Auto Fund being below its target capital range for the RSR, an application has been submitted to the Saskatchewan Rate Review Panel for a net 1.03 per cent increase with rebalancing for Auto Fund rates, plus a 1.23 per cent surcharge to be added to the rebalanced rates to replenish the RSR. If approved, the rate changes would be effective August 31, 2013.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- On an annual basis, management reviews the key risks faced by the Auto Fund by identifying specific risk events and their potential impact on the Auto Fund's operations, finances, and reputation. Each risk event is rated based on the likelihood of the event occurring and severity of the consequences if it did occur, both before and after the application of potential mitigations. This process results in a risk profile for the Auto Fund, which is reviewed by the Risk Committee of the Board of Directors annually. SGI's Audit Services department also uses the risk profile in developing its annual work plan, providing an assurance component to SGI's risk management process.
- The top three risks identified are: leadership/strategy, significant privacy breach and customer focus.
- These risks represent key areas in SGI's strategic plan, and as such, SGI has prioritized resources towards key business processes and corporate projects which will mitigate these risks.

SaskGaming

SGC stands as a strong example of public sector employment diversity. Forty one per cent of its workforce is comprised of people of aboriginal descent, five per cent are persons with disabilities and thirteen per cent are visible minorities.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS

- Earnings for 2012 were $26.3 million (2011 - $25.9 million), an increase of $0.4 million or 1.7 per cent.
- Revenues increased to $137.2 million (2011 - $134.6 million), an increase of $2.6 million or 1.9 per cent. Revenue growth was driven, in part, by record guest visitation in 2012 and table game results. SGC's guest count was 3.6 million in 2012, up 2.3 per cent from the previous year.
- Expenses rose $1.8 million or 2.2 per cent to $84.6 million (2011 - $82.8 million). Operating expense growth was 2.4 per cent, which was partially offset by decreases in depreciation and taxes combined with flat financing costs and other contractual obligations.
- SGC maintained an Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) margin in 2012 of 49.2 per cent, consistent with 49.4 per cent in 2011, as SGC continued to cost-effectively drive revenue growth.
- Debt for 2012 was $19.4 million (2011 - $20.8 million), down $1.4 million. During the year, SGC reduced debt from available cash flow. As a result, SGC's debt to EBITDA ratio declined from 31.0 per cent in 2011 to 29.0 per cent in 2012.
- Capital expenditures in 2012 were $5.2 million (2011 - $3.9 million), an increase of $1.3 million. Major projects in 2012 included the addition of 62 new slot machines, the re-pointing of the mortar joints and the completion of the automation of the parking lot system, all at Casino Regina. Another major project included the completion of a new, web-based staff scheduling system.

COMPARISON OF 2012 RESULTS WITH BUDGET

- Earnings were $0.3 million or 1.2 per cent higher than the 2012 budget of $26.0 million.
- Actual revenues of $137.2 million are below the 2012 budget of $141.6 million, which is 3.1 per cent below the 2012 budget on the basis of slot revenues being $5.9 million (4.9 per cent) below budget and other revenues coming in $0.3 million (6.8 per cent) below budget. This was partially offset by a $1.7 million increase in table revenues (17.2 per cent) relative to the 2012 budget.
- At $84.6 million, actual expenses were $5.0 million below the 2012 budget of $89.6 million, which was 5.6 per cent below target. Significant reductions were in salaries and benefits ($1.4 million or 3.2 per cent), advertising and promotions ($0.7 million or 17.2 per cent), computer supplies and consulting ($0.7 million or 22.2 per cent), equipment and supplies ($0.5 million or 22.9 per cent), and training and professional development ($0.3 million or 37.0 per cent).

KEY FINANCIAL DATA	2012 Actual	2012 Bus. Plan	2011 Actual	2010 Actual	2009[1] Actual	2008[1,2] Actual
Earnings	$ 26.3M	$ 26.0M	$ 25.9M	$ 22.0M	$ 25.4M	$ 19.1M
Dividends declared to CIC	$ 21.0M	$ 20.8M	$ 20.7M	$ 19.4M	$ 20.3M	$ 15.3M
Total assets	$ 78.7M	$ 77.6M	$ 83.0M	$ 83.0M	$ 78.4M	$ 82.0M
Debt to EBITDA ratio	29.0%	29.0%	31.0%	39.0%	44.0%	57.0%

[1] Amounts for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.
[2] Nine months of operations - April 1, 2008 to December 31, 2008. SGC converted to a CIC Crown on April 1, 2008.

2013 OUTLOOK

- SGC targeted earnings for 2013 are $26.4 million, only marginally higher than the 2012 actual earnings of $26.3 million.
- Revenues are budgeted at $141.5 million in 2013, an increase of $4.3 million over the actual level of $137.2 million in 2012.
- Expenses are budgeted at $88.7 million in 2013, $4.1 million higher than the 2012 actual, mainly due to expected increases in operating expenses.
- SGC expects to continue to operate in a 'mature' casino gaming market. It expects additional pressures in 2013 from the Saskatchewan Liquor Gaming Authority updating its video lottery terminal network that will draw customers away from casino gaming.
- SGC will experience continued competition from the Saskatchewan Indian Gaming Authority as well as continuing potential for market erosion from foreign based internet/mobile gaming companies.
- Costs are expected to increase for regulatory compliance as well as increased salaries and benefits costs.
- SGC is planning additional promotion activities themed around special events occurring in Regina (e.g. Juno Awards and Grey Cup), combined with additional slot machines to increase the variety of games for guests. These are the two main strategies to address the competitive pressures and reach its financial targets in 2013.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- Failing to comply with regulations/legislation could result in sanctions and/or adverse publicity for SGC. SGC's 2013 Performance Management Plan includes an initiative to establish an active compliance regime.
- SGC faces a risk that it is unable to provide services due to accidents, work stoppages, sabotage and technology failure. SGC has a fully functioning Business Continuity Plan, supported by a recovery team and Disaster Recovery Plan (DRP) which practices scenarios in 'table top exercises', to mitigate the potential negative impact of business interruption.
- A lack of Information Technology (IT) infrastructure could result in an inability to efficiently and effectively support SGC's business and information systems requirements. The DRP contains measures to mitigate the impact on IT systems in the event of a business interruption, which is being updated due to the move of SGC's IT systems to SaskTel's data centre. Further, SGC has implemented best practices to eliminate single points of failure in its network and refreshing its software/hardware on a timely basis.

KEY OPERATIONAL DATA	2012	2011	2010	2009	2008
Guest count (thousands)	3,625	3,542	3,429	3,290	3,413
Full-time equivalents	969	995	1,014	1,092	1,122

STC
The Bus Company

In 2012, STC maintained its high level of customer satisfaction rating of 92.6 per cent with more than 280,000 trips taken despite a number of industry challenges.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS

- STC's ridership decreased 2.1 per cent from 2011. The decrease in ridership reflects the service changes by Greyhound in neighbouring provinces offset by successful promotions for senior seat sales and Ride Rewards.
- Focus remained on improving the customer experience with completion of WiFi installation in all STC coaches. In a customer survey, 92.6 per cent of respondents rated STC's overall service as good or excellent.
- Operating loss before grant funding was $12.8 million (2011 - $11.4 million) an increase of $1.4 million due to lower passenger revenue, reduced express volumes and an increase in salary and wage costs over 2011. The loss was slightly offset by reduced agent commissions and pickup and delivery costs.
- CIC provided grants of $11.5 million (2011 - $10.7 million) to cover an operating cash shortfall and capital expenditures.
- Operating revenues were $15.9 million (2011 - $16.7 million). The decrease is due to lower ridership and reduced express volumes caused by the effects of Greyhound service changes.
- Operating expenses of $28.8 million (2011 - $28.1 million) increased primarily due to higher salary and wage costs and increased depreciation.
- Capital spending was $3.0 million (2011 - $0.9 million). The increase is primarily due to $1.1 million of outstanding purchase commitments for 2011 projects that were completed in 2012.

COMPARISON OF 2012 RESULTS WITH BUDGET

- Operating loss of $12.8 million, before grant funding, was $0.7 million higher than budgeted primarily due to lower than expected express and passenger revenues offset by savings in salary and wages, agent commissions, and training and travel costs.
- Revenues were $1.0 million lower than the $16.9 million budget due to a decrease in passenger revenues caused by lower ridership levels and a decrease in express services caused by lower volume on large freight contracts. Greyhound service reductions and resulting loss of connection with neighbouring provinces were major contributors to volume reductions.
- Expenses were $0.2 million below the $29.0 million budget primarily due to savings in salary and wages as staffing was adjusted to reflect Greyhound schedule changes and agent commissions caused by lower sales volumes.

KEY FINANCIAL DATA	2012 Actual	2012 Bus. Plan	2011 Actual	2010 Actual	2009[1] Actual	2008[1] Actual
Loss	$ (1.0M)	$ (0.4M)	$ (0.3M)	Nil	$ (0.8M)	$ (0.8M)
Operating loss	$ (12.8M)	$ (12.1M)	$ (11.4M)	$ (10.9M)	$ (10.6M)	$ (8.5M)
Operating grant from CIC	$ 9.2M	$ 9.2M	$ 8.7M	$ 8.4M	$ 7.8M	$ 6.2M
Capital grant from CIC	$ 2.3M	$ 2.3M	$ 2.0M	$ 0.9M	$ 1.8M	$ 9.0M
Passenger loss per mile	$ 2.63	$ 2.52	$ 2.44	$ 2.29	$ 2.22	$ 1.75

[1] Amounts for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.

2013 OUTLOOK

- The effects of industry regulatory changes in neighbouring provinces will continue to be felt in 2013. STC's focus is maintaining a high level of customer satisfaction while increasing general awareness of its passenger and express services in order to grow revenue. STC expects capital spending of $3.5 million in 2013. The majority of capital funds will be used for fleet replacement to address the effects of an aging fleet on operating costs and customer satisfaction.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- Saskatchewan's low unemployment rate has led to a shortage of qualified workers across the province in many industries. Recruiting and retaining quality employees is crucial to STC providing excellent customer service. STC continues to partner with other organizations and participate in job fairs as a means to advertise its recruitment needs. Annual employee surveys are utilized to ensure existing staff are satisfied and engaged.
- STC's relationship with its interline partners, particularly Greyhound, is key to maintaining a complete transportation network connecting with neighbouring provinces. Industry regulatory changes in these provinces have led to reductions in levels of service, loss of connections to STC and pressures on STC's revenues. STC maintains a working relationship with other operators and continues to monitor industry changes through membership in industry associations. In light of any industry changes, STC will continue to evaluate schedules and staffing to minimize any negative impacts on the level of subsidy required.
- A number of factors affect travelers' decisions to use bus transportation including alternative modes of transportation, events in the industry and public perception of the experience. STC will continue to promote the benefits of its passenger service (including amenities such as WiFi and enhanced terminal security) and offer seat sales to generate new customers and encourage existing customers to ride more often.

KEY OPERATIONAL DATA	2012	2011	2010	2009	2008
Communities served	287	290	290	290	283
Miles travelled	3.1M	3.2M	3.2M	3.1M	3.1M
Ridership	282,119	288,164	268,335	258,534	270,002

CIC

In 2012, CIC AMI exited six investments for consolidated proceeds on disposition of $18.6 million.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS

- CIC AMI's focus is on prudently managing the existing portfolio with the mandate to sell its assets in an orderly manner. Investment activity is limited to fulfilling previous commitments and making add on investments where additional disbursements will protect CIC AMI's assets.
- CIC AMI had a loss of $4.3 million in 2012, compared to earnings of $35.3 million in 2011.
- The $39.6 million decrease in earnings is attributable primarily to non-recurring recoveries in 2011 of environmental remediation liabilities of $41.8 million and a recovery of reinsurance liabilities of $5.0 million, offset by $5.5 million of additional investment impairments recorded in 2011 compared to 2012.
- Revenue of $11.4 million in 2012 was higher than the $6.9 million reported in 2011, which is mainly attributable to a $9.6 million increase in equity earnings from investments in 2012, offset by decreased interest revenue of $2.6 million and decreased gains on sales of investments of $2.4 million.
- Expenses of $1.2 million in 2012 were consistent with $1.4 million reported in 2011.
- Investment disbursements of $3.2 million in 2012 were consistent with the $3.9 million reported in 2011, attributable to limited protective disbursements for the existing investment portfolio.
- The provision for environmental remediation liabilities increased by $3.0 million in 2012 to $63.8 million, due to inflationary factors on estimated remediation costs.

COMPARISON OF 2012 RESULTS WITH BUDGET

- Loss of $4.3 million was larger than the $1.6 million loss budgeted. This is primarily due to 2012 provision for loan losses exceeding budget by $15.3 million, offset by equity earnings from investments exceeding budget by $7.9 million, and unbudgeted appreciation of investments of $3.1 million.
- Distributions to CIC from CIC AMI depend on cash availability and CIC's cash requirements. The form of cash disbursement can be either dividend or share retraction depending on the needs of the shareholder. During the year, $15.0 million of dividends were paid to CIC and no shares were retracted by CIC.
- Ending total assets were $48.6 million higher than budget, primarily due to a $45.0 million share redemption forecast to occur in 2011 at the time of 2012 budgeting, which was ultimately deferred.

KEY FINANCIAL DATA	2012 Actual	2012 Bus. Plan	2011 Actual	2010 Actual	2009[1] Actual	2008[1] Actual
(Loss) earnings	$ (4.3M)	$ (1.6M)	$ 35.3M	$ (17.1M)	$ (32.8M)	$ 691.0M
Dividend declared to CIC	$ 15.0M	$ 70.0M	Nil	Nil	$ 34.0M	$ 543.0M
Total assets	$ 246.4M	$ 197.8M	$ 265.4M	$ 286.7M	$ 392.8M	$ 564.5M
ROE	(2.4%)	(1.7%)	17.5%	(10.1%)	(12.2%)	210.0%
Debt ratio	N/A	N/A	N/A	N/A	N/A	18.0%

[1] Amounts for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.

2013 OUTLOOK

- CIC AMI's targeted earnings for 2013 is $4.1 million.
- In 2013, CIC AMI will pursue its mandate to prudently manage and divest its existing portfolio of investments, as market and investee conditions facilitate.
- Investment activity is expected to be limited to small protective disbursements which may be required to position investees for sale. Protective investments are generally made to maximize recovery of the initial investment.
- Commodity prices for most investments are forecast to remain at levels consistent with those experienced at year end 2012 as the North American economy stabilizes. However, CIC AMI's investments remain highly sensitive to variations in both industry specific and broad economic factors.
- If market conditions permit, CIC AMI expects to divest seven investments in 2013.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- CIC AMI has undertaken an Enterprise Risk Management (ERM) assessment process, identifying significant risks to the entity and the adequacy of risk mitigation measures in place.
- CIC AMI is legally obligated for the costs associated with the remediation of certain environmental liabilities from legacy investments. CIC AMI identified a risk that the remediation costs could exceed CIC AMI's assets, resulting in a funding shortfall. CIC AMI has mitigated this risk by retaining third party environmental specialists to monitor and assess the liabilities until such time remediation can be performed. CIC AMI incorporates third party estimates of remediation costs when determining available cash for distribution to CIC.
- The prudent and orderly divestiture of CIC AMI's investments requires significant judgement when identifying divestiture opportunities, specifically regarding the appropriate timing and acceptable pricing for transactions. Associated risks include potential for mistiming the divestiture of an investment by prematurely exiting an investment during temporarily depressed market conditions, or deferring divestiture in expectation of market improvements which ultimately do not materialize. The underlying volatility of CIC AMI's venture capital portfolio and the portfolio's high sensitivity to changes in industry and economic factors increase the complexity of the divestiture process. CIC AMI has implemented investment valuation procedures to assist in clarifying differentials between price and value for potential transactions, providing market context to offers received. CIC AMI relies on both internal and third party valuation specialists applying the valuation standards and principals as set out by the Canadian Institute of Chartered Business Valuators.
- CIC AMI's identified risks, including the significant risks listed, have been incorporated in CIC's ERM process. While CIC AMI remains responsible for monitoring and mitigating its identified risks, the evaluation of CIC AMI's risk management process is managed by CIC.

SOCO was awarded top employer status by the Best Small and Medium Employer survey undertaken by Queens University and Hewitt and Associates with employee engagement levels of 83.0 per cent.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS

- During 2012, SOCO received recognition for its commitment to constructing and operating efficient and sustainable buildings. The Canadian Green Building Alliance bestowed a LEED Gold certification on 121 Research Drive in Saskatoon, one of only three buildings in Saskatchewan to receive this designation. In addition, two buildings were certified BOMA BEST Level 4 by the Building Owners and Managers Association of Canada. Only 2 per cent of the buildings in Canada have received this top designation for sustainable operation and these two buildings are the only two in Saskatchewan to reach this level.
- Earnings of $4.3 million in 2012 (2011 - $4.6 million) decreased $0.3 million from 2011. This decrease can be mainly attributed to a $1.9 million increase in amortization expense mainly due to the assets transferred to SOCO during 2011. Excluding the impact of increased amortization, earnings increased by $1.6 million.
- Overall revenue of $40.8 million (2011 - $39.7 million) is up $1.1 million from 2011. The increase in revenue is due to increased rental rates and increases in related service revenue.
- Expenses of $35.0 million (2011 - $33.5 million) increased $1.5 million from 2011. The $1.9 million increase in amortization expense was partially offset by decreases in other operating expenses. Administration expenses were consistent with the prior year.
- Investment in capital assets in 2012 was $8.9 million (2011 - $8.2 million) increasing $0.7 million from 2011.
- Total debt outstanding at year end was $36.7 million, unchanged from the prior year.

2013 OUTLOOK

- Expected earnings for 2013 are $4.3 million, consistent with 2012 actual results.
- Investment in capital assets is budgeted at $8.8 million for 2013.
- Total outstanding debt is not expected to change in 2013.

KEY FINANCIAL DATA	2012 Actual	2012 Bus. Plan	2011 Actual	2010 Actual	2009[1] Actual	2008[1] Actual
Earnings	$ 4.3M	$ 4.0M	$ 4.6M	$ 6.1M	$ 4.1M	$ 5.1M
Dividends declared to CIC	$ 2.8M	$ 2.6M	Nil	$ 9.0M	Nil	Nil
Total assets	$ 193.0M	$ 190.8M	$ 191.0M	$ 67.5M	$ 66.3M	$ 64.7M
Capital spending	$ 8.9M	$ 11.8M	$ 8.2M	$ 3.5M	$ 6.2M	$ 14.1M
Debt ratio	16.4%	19.0%	17.2%	58.3%	53.5%	58.2%

[1] Amounts for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- The primary risk for SOCO is the lack of available leasable space to meet the needs of existing and future tenants as it directly affects SOCO's ability to fulfill its mandate. SOCO continues to investigate strategies to address this issue.
- Closely tied to the primary risk is the risk of the loss of a significant tenant, which would negatively impact the financial results and an industry cluster. SOCO works closely with key tenants to understand their growth needs and develop plans that will make space available to satisfy their needs.

KEY OPERATIONAL DATA	2012	2011	2010	2009	2008
Vacancy rates	2.4%	2.8%	4.0%	5.2%	4.3%
Total employment at the technology parks	5,471	5,158	5,047	4,786	4,023

Since SIIF was established in October, 2010, 17 projects have been approved involving construction of 712 units in nine Saskatchewan communities.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS

- SIIF reported a loss for 2012 of $0.2 million (2011 – earnings of $1.2 million) down $1.4 million from 2011 due mainly to increased management fees and lower net finance income.
- Management fees increased by $0.4 million to $0.8 million (2011 – $0.4 million). Management fees are based on a percentage of outstanding loans receivable. Given that 2012 was the first year that loans were issued to builders and developers, management fees increased as a result.
- Net finance income decreased by $1.0 million to $0.6 million (2011 – $1.6 million) mainly related to the impact of recording fair value adjustments on amounts received from the Government of Canada as required by IFRS.
- SIIF had $62.0 million (2011 – $55.0 million) in cash and cash equivalents restricted for use for the Saskatchewan Headstart on a Home Program.
- SIIF had $34.3 million (2011 – Nil) in loans receivable reflecting the initiation of loans to builders and developers in 2012.
- SIIF had $94.9 million (2011 – $53.4 million) in debt (including accrued interest) due to the Government of Canada pursuant to the Immigrant Investor Program (IIP).
- During 2012, SIIF received an additional $40.9 million from the Government of Canada under the IIP, issued $41.4 million in new loans to builders and developers and received $7.1 million in loan principal repayments.

COMPARISON OF 2012 RESULTS WITH BUDGET

- Loss of $0.2 million was $0.4 million less than the budgeted loss of $0.6 million due mainly to the impact of unbudgeted premiums on debt due to the Government of Canada.
- Loans receivable were $34.3 million or $3.2 million higher than the budget of $31.1 million due to higher than expected program uptake.
- Debt due to the Government of Canada was $94.9 million or $7.0 million lower than the budget of $101.9 million due mainly to $4.4 million in lower than expected allocations from the Government of Canada and unbudgeted unamortized premiums totaling $2.5 million as of December 31, 2012.

KEY FINANCIAL DATA	2012 Actual	2012 Bus. Plan	2011 Actual	2010[1] Actual	2009[1] Actual	2008[1] Actual
(Loss) earnings	$ (0.2M)	$ (0.6M)	$ 1.2M	$ 0.4M	N/A	N/A
Loans receivable	$ 34.3M	$ 31.1M	Nil	N/A	N/A	N/A
Efficiency ratio[2]	119.4%	73.0%	99.0%	N/A	N/A	N/A
Dollars repaid by developers	$ 7.1M	$ 5.5M	Nil	N/A	N/A	N/A

[1] SIIF was established on October 6, 2010, and therefore key financial data is not available for all years presented.
[2] Efficiency ratio is defined as approved project amounts divided by funds available for investment.

2013 OUTLOOK

- SIIF anticipates a significant amount of pre sold units from purchasers utilizing SIIF's Credit Union partners for their residential mortgages and the Headstart Equity Builder Program™.
- 2013 will primarily be a 'build out' year for the projects approved to date. SIIF plans to continue to engage builders to create awareness of entry level building opportunities in Saskatchewan.

KEY ENTERPRISE RISKS, MITIGATIONS AND ACTION PLANS

- Concentration of credit risk relates to groups of counterparties that are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. SIIF has material concentrations of credit risk on its loan receivables which are due from builders and developers located in Saskatchewan, and therefore could be similarly impacted by changes in the Saskatchewan economy. However, the loans are diversified with companies and in communities throughout Saskatchewan, and therefore may not be identically impacted by changes in the overall Saskatchewan economy. SIIF performs due diligence and maintains credit policies and limits in respect to potential loans. Credit risk is also mitigated through SIIF holding a security interest in the units constructed and the land upon which the units are constructed which are located in various communities throughout Saskatchewan.

KEY OPERATIONAL DATA	2012	2011	2010[1]	2009[1]	2008[1]
Housing starts	416	Nil	N/A	N/A	N/A
Units sold to home buyers	252	Nil	N/A	N/A	N/A
Municipalities engaged	36	19	N/A	N/A	N/A

[1] SIIF was established on October 6, 2010, and therefore key operational data is not available for all years presented.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by management of Crown Investments Corporation of Saskatchewan. They have been prepared in accordance with International Financial Reporting Standards, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the consolidated financial statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, the Corporation's external auditors KPMG LLP, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. Management's attestation on the adequacy of financial controls appears opposite. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that financial controls are adequately functioning.

KPMG LLP has audited the consolidated financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the consolidated financial statements, appears on the following page.

R.W. (Dick) Carter, FCA
President & CEO

Blair Swystun, CFA
Senior Vice-President & CFO

March 27, 2013

ANNUAL STATEMENT OF MANAGEMENT RESPONSIBILITY

I, R.W. (Dick) Carter, the President and Chief Executive Officer of Crown Investments Corporation of Saskatchewan, and I, Blair Swystun, the Senior Vice-President and Chief Financial Officer of Crown Investments Corporation of Saskatchewan, certify the following:

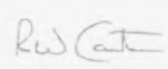
That we have reviewed the consolidated financial statements included in the Annual Report of Crown Investments Corporation of Saskatchewan. Based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2012.

That based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report of Crown Investments Corporation of Saskatchewan do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

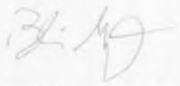
That Crown Investments Corporation of Saskatchewan is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and Crown Investments Corporation of Saskatchewan has designed internal controls over financial reporting that are appropriate to the circumstances of Crown Investments Corporation of Saskatchewan.

That Crown Investments Corporation of Saskatchewan conducted its assessment of the effectiveness of the Corporation's internal controls over financial reporting and, based on the results of this assessment, Crown Investments Corporation of Saskatchewan can provide reasonable assurance that internal controls over financial reporting as of December 31, 2012 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

On behalf of Management:



R.W. (Dick) Carter, FCA
President & CEO



Blair Swystun, CFA
Senior Vice-President & CFO

March 27, 2013

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying consolidated financial statements of **Crown Investments Corporation of Saskatchewan**, which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Crown Investments Corporation of Saskatchewan as at December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 27, 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

(thousands of dollars)

	Note	2012	2011
ASSETS			
Current			
Cash and cash equivalents	5	$ 326,639	$ 371,781
Short-term investments	6	448,188	409,264
Accounts receivable	7(d)	664,010	602,070
Restricted cash and cash equivalents	8	70,940	62,617
Derivative financial assets	7	56,428	84,092
Inventories	9	411,662	378,368
Prepaid expenses		167,911	164,373
		2,145,778	2,072,565
Restricted cash and cash equivalents	8	4,872	4,900
Investments	6	1,230,124	1,078,190
Investments in equity accounted investees	10	129,317	140,732
Property, plant and equipment	11	9,112,247	8,239,329
Investment property	12	175,694	174,789
Intangible assets	13	328,531	270,929
Other assets	14	23,609	21,624
		$ 13,150,172	$ 12,003,058
LIABILITIES AND PROVINCE'S EQUITY			
Current			
Bank indebtedness		$ 5,785	$ 13,191
Trade and other payables		717,720	684,498
Derivative financial liabilities	7	96,767	150,813
Notes payable	15	1,149,319	696,464
Deferred revenue	16	432,399	403,621
Provisions	17	150,645	159,588
Current portion of finance lease obligations	18	5,675	3,632
Long-term debt due within one year	19	153,533	52,446
		2,711,843	2,164,253
Provisions	17	460,147	440,177
Finance lease obligations	18	553,483	558,406
Long-term debt	19	4,340,244	3,952,858
Employee future benefits	20	639,768	588,324
Other liabilities	21	103,077	77,998
		8,808,562	7,782,016
Province of Saskatchewan's Equity			
Equity advances		1,051,839	1,051,839
Contributed surplus		125	125
Retained earnings		3,296,004	3,169,782
Accumulated other comprehensive loss	23	(6,358)	(704)
		4,341,610	4,221,042
		$ 13,150,172	$ 12,003,058
Commitments and contingencies	24		

(See accompanying notes)

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31

(thousands of dollars)

	Note	2012	2011
INCOME FROM OPERATIONS			
Revenue		$ 4,536,053	$ 4,513,229
Other income		9,912	33,785
		4,545,965	4,547,014
EXPENSES			
Operating		2,202,655	2,413,392
Salaries, wages and short-term employee benefits		815,816	789,566
Employee future benefits	20	46,825	53,046
Depreciation and amortization	25	601,686	550,216
Loss on disposal of property, plant and equipment		24,221	7,165
Impairment losses	26	15,262	18,374
Research and development		4,316	6,076
Provision for (recovery of) decommissioning and environmental remediation liabilities	17	2,977	(38,783)
Saskatchewan taxes and fees	27	132,137	126,027
		3,845,895	3,925,079
RESULTS FROM OPERATING ACTIVITIES		700,070	621,935
Finance income	28	85,220	104,189
Finance expenses	28	(318,368)	(307,911)
NET FINANCE EXPENSES		(233,148)	(203,722)
EARNINGS FROM OPERATIONS		466,922	418,213
Share of net earnings from equity accounted investees	10	19,408	10,437
EARNINGS FROM CONTINUING OPERATIONS		486,330	428,650
Gain from discontinued operations		-	30,802
Net loss on sale of equity accounted investees	10(d)	(7,428)	(8,576)
NET EARNINGS		478,902	450,876
OTHER COMPREHENSIVE LOSS			
Defined benefit plan actuarial losses	20	(72,630)	(283,810)
Share of changes in comprehensive income recognized by associates		285	234
Foreign currency translation adjustments	28	193	436
Unrealized loss on cash flow hedges	28	(6,132)	(118)
Other		-	(345)
OTHER COMPREHENSIVE LOSS		(78,284)	(283,603)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		$ 400,618	$ 167,273

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31

(thousands of dollars)

	Attributable to the Province of Saskatchewan				
	Equity Advances	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss (Note 23)	Total Equity
Balance at January 1, 2011	$ 931,152	$ 161	$ 3,131,216	$ (911)	$ 4,061,618
Total comprehensive income (loss)	-	-	450,876	(283,603)	167,273
Equity advances	120,687	-	-	-	120,687
Transfers to retained earnings	-	-	(283,810)	283,810	-
Dividends to GRF	-	-	(128,500)	-	(128,500)
Other	-	(36)	-	-	(36)
Balance at December 31, 2011	$ 1,051,839	$ 125	$ 3,169,782	$ (704)	$ 4,221,042
Balance at January 1, 2012	**$ 1,051,839**	**$ 125**	**$ 3,169,782**	**$ (704)**	**$ 4,221,042**
Total comprehensive income (loss)	**-**	**-**	**478,902**	**(78,284)**	**400,618**
Transfers to retained earnings	**-**	**-**	**(72,630)**	**72,630**	**-**
Dividends to GRF	**-**	**-**	**(280,050)**	**-**	**(280,050)**
Balance at December 31, 2012	**$ 1,051,839**	**$ 125**	**$ 3,296,004**	**$ (6,358)**	**$ 4,341,610**

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31

(thousands of dollars)

	Note	2012	2011
OPERATING ACTIVITIES			
Net earnings		$ 478,902	$ 450,876
Adjustments to reconcile net earnings to cash from operating activities	29	800,827	777,616
		1,279,729	1,228,492
Net change in non-cash working capital balances related to operations		(23,184)	166,402
Interest paid		(323,314)	(302,898)
Defined benefit pension plan contributions	20	(253)	(43,275)
Cash provided by operating activities from continuing operations		932,978	1,048,721
Cash provided by operating activities from discontinued operations		-	64,393
Net cash from operating activities		932,978	1,113,114
INVESTING ACTIVITIES			
Interest received		31,603	28,362
Dividends received		10,768	7,371
Purchase of investments		(773,998)	(750,534)
Proceeds from sale and collection of investments		640,730	585,749
Purchase of property, plant and equipment		(1,392,719)	(1,015,585)
(Costs related to) proceeds from sale of property, plant and equipment		(6,302)	2,697
Purchase of intangible assets		(110,973)	(100,208)
Purchase of investment property		(8,277)	(7,822)
(Increase) decrease in restricted cash and cash equivalents		(7,204)	91,565
Increase in government grants		11,230	766
Net cash used in investing activities		(1,605,142)	(1,157,639)
FINANCING ACTIVITIES			
Increase in notes payable		452,855	223,613
Increase (decrease) in other liabilities		9,604	(84,073)
Debt proceeds from GRF		502,334	3,900
Debt repayments to GRF		(51,146)	(12,401)
Debt proceeds from other lenders		40,907	48,620
Debt repayments to other lenders		(4,180)	(5,027)
Sinking fund instalments		(42,102)	(42,333)
Sinking fund redemptions		6,206	-
Dividend paid to GRF		(280,050)	(128,500)
Net cash from financing activities		634,428	3,799
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR		(37,736)	(40,726)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		358,590	399,316
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 320,854	$ 358,590
Cash and cash equivalents consists of:			
Cash and cash equivalents from continuing operations		$ 326,639	$ 371,781
Bank indebtedness from continuing operations		(5,785)	(13,191)
		$ 320,854	$ 358,590

(See accompanying notes)

1. GENERAL INFORMATION

Crown Investments Corporation of Saskatchewan (CIC) is a corporation domiciled in Canada. The address of CIC's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK, S4P 1C8. The consolidated financial statements of CIC comprise CIC and its subsidiaries (collectively referred to as "CIC" or "the Corporation") and CIC's interest in associates, jointly controlled entities and jointly controlled assets with principal activities as described in Note 3(a).

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on March 27, 2013.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Financial assets at fair value through profit or loss are measured at fair value (Note 7).
- Derivative financial instruments are measured at fair value (Note 7).
- Provisions discounted at expected future cash flows (Note 17).
- Employee future benefits are recognized at the fair value of plan assets less the present value of the accrued benefit obligation (Note 20).

c) Functional and presentation currency

The consolidated financial statements are presented in Canadian Dollars, which is CIC's functional currency.

d) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment and underlying estimations of useful lives of depreciable assets, provisions, accounts receivable, inventory, investments, natural gas in storage, intangible assets and investment property, fair value of financial instruments, and the carrying amounts of employee future benefits including underlying actuarial assumptions. These significant areas are further described in Notes 6, 7, 9, 10, 11, 12, 13, 17, 20, 24 and 25.

e) Use of judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements that affect the application of accounting policies.

Significant items subject to judgement include the accounting policies listed in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements. The accounting policies have been consistently applied by CIC's subsidiaries.

a) Basis of consolidation

Subsidiaries

Saskatchewan provincial Crown corporations are either designated as subsidiary Crown corporations of CIC or created as CIC Crown corporations under *The Crown Corporations Act, 1993* (the Act). The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Basis of consolidation *(continued)*

Subsidiaries *(continued)*

In addition to the Crown corporations listed below, CIC also consolidates the accounts of Gradworks Inc., a wholly-owned non-profit subsidiary, and the following wholly-owned share capital subsidiaries: CIC Asset Management Inc.; First Nations and Métis Fund Inc.; CIC Economic Holdco Ltd.; Saskatchewan Immigrant Investor Fund Inc. (SIIF); and CIC Apex Equity Holdco Ltd.,[1] all of which are domiciled in Canada.

Separate audited financial statements for CIC have been prepared to show the financial position and results of operations of the corporate entity. In addition, audited financial statements for each of the undernoted Crown corporations, which are consolidated in these financial statements, are prepared and released publicly:

Wholly-owned subsidiaries domiciled in Canada	Principal Activity
Information Services Corporation of Saskatchewan (ISC)	Registry services
SaskEnergy Incorporated (SaskEnergy)	Natural gas storage and delivery
Saskatchewan Development Fund Corporation (SDFC)	Inactive
Saskatchewan Gaming Corporation (SGC)	Entertainment
Saskatchewan Government Insurance (SGI)	Property and casualty insurance
Saskatchewan Opportunities Corporation (SOCO)	Research parks
Saskatchewan Power Corporation (SaskPower)	Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications
Saskatchewan Transportation Company (STC)	Passenger and freight transportation
Saskatchewan Water Corporation (SaskWater)	Water and waste water management

Associates and jointly controlled entities (investments in equity accounted investees)

Associates are those entities in which CIC has significant influence, but not control, over strategic financial and operating decisions. Significant influence is presumed to exist when CIC holds between 20.0 and 50.0 per cent of the voting power of another entity. Jointly controlled entities are those entities over whose activities CIC has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost. CIC's investment includes any goodwill identified at acquisition, net of accumulated impairment losses. The consolidated financial statements include CIC's share of the total comprehensive income and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of CIC, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When CIC's share of losses exceeds its interest in equity accounted investees, the carrying amount of that interest is reduced to Nil and the recognition of further losses is discontinued except to the extent that CIC has an obligation or has made payments on behalf of the investee.

Jointly controlled assets

Jointly controlled assets involve the joint control of one or more assets acquired for and dedicated to the purpose of a joint venture. The consolidated financial statements include CIC's proportionate share of the jointly controlled assets, incurred liabilities and income and expenses as well as any liabilities and expenses that CIC has incurred directly with respect of its 50.0 per cent interest in the Kisbey Gas Gathering and Processing Facility and the Totnes Natural Gas Storage Facility.

[1] CIC Apex Equity Holdco Ltd. was dissolved effective August 28, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Basis of consolidation *(continued)*

Special purpose entities

CIC has established certain special purpose entities (SPEs) for trading and investment purposes. CIC does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with CIC and the SPE's risks and rewards, CIC concludes that it controls the SPE. SPEs controlled by CIC were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in CIC receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

CIC has two SPEs, Meadow Lake Pulp Limited Partnership and 212822 Saskatchewan Ltd. These SPEs are not material to CIC's consolidated results.

Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealized income and expenses arising from inter-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with investments in equity accounted investees are eliminated against the investment to the extent of CIC's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Cash and cash equivalents

Cash and cash equivalents include short-term investments that have a maturity date of ninety days or less.

c) Inventories

Inventories for resale, including natural gas in storage held for resale, are valued at the lower of weighted average cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Net realizable value for natural gas inventory is determined using natural gas market prices based on anticipated delivery dates. Natural gas in storage held for resale is charged to inventory when purchased and expensed as sold.

Other supplies inventories are valued at the lower of weighted average cost and net realizable value. Replacement cost is used as management's best estimate of the net realizable value for other supplies inventory. In establishing the appropriate provision for supplies inventory obsolescence, management estimates the likelihood that supplies inventory on hand will become obsolete due to changes in technology. Other supplies are charged to inventory when purchased and expensed or capitalized when used.

d) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes materials, services, direct labour, directly attributable overheads, and other costs directly attributable to preparing the asset for its intended use. Interest costs associated with major capital and development projects that are six months or longer in duration are capitalized during the construction year at the weighted average cost of long-term borrowings. Assets under construction are recorded as in progress until operational and available for use, at which time they are transferred to property, plant and equipment.

Costs are recognized as an asset if it is probable that economic benefits associated with the item will flow to the Corporation and the cost can be reliably measured. Significant renewals and enhancements to existing assets are capitalized only if the useful life of the asset is increased, physical output, service capacity or quality is improved above original design standards, or operating costs are reduced by a substantial and quantifiable amount that can be reliably measured. The cost of maintenance, repairs, renewals or replacements which do not provide benefits into the future are charged to operating expense as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) **Property, plant and equipment** *(continued)*

Significant parts of an item of property, plant and equipment that have different useful lives are accounted for as separate items of property, plant and equipment.

When property, plant and equipment is disposed of or retired, the related costs less accumulated depreciation and impairment losses are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings in the year of disposal.

e) **Depreciation of property, plant and equipment**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual amount. Depreciation is recorded primarily on the straight-line basis over the useful life of each asset as follows:

Machinery and equipment	3 - 100 years
Buildings and improvements	3 - 100 years
Coal properties and rights	0 - 21 years

The useful life and depreciation method are reviewed periodically to ensure consistency with the expected pattern of economic benefits from these assets.

Assets held under finance leases are depreciated over the expected useful economic life of each asset on the same basis as for owned assets, or where shorter, the lease term.

f) **Intangible assets**

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

The Corporation measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in net earnings.

Subsequent to acquisition, goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

On disposal of a subsidiary or a jointly controlled entity, the attributed amount of goodwill is included in the determination of the gain or loss on disposal.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in net earnings when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if the amount can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and CIC intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Interest costs related to the development of qualifying assets are capitalized. Other development expenditures are recognized in net earnings as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Intangible assets *(continued)*

Finite-life intangibles

Finite-life intangible assets, acquired individually, with a group of other assets, or through CIC's authorized dealers are measured at cost of acquisition or development less accumulated amortization and accumulated impairment losses and may include direct development costs, and overhead costs directly attributable to the development activity. Customer accounts acquired are measured at cost less accumulated amortization and any accumulated impairment losses, and are amortized on a straight-line basis over an estimated useful life of five to ten years from the date of acquisition.

Capitalized software includes externally purchased software packages as well as external and internal direct labour costs related to internally developed programs. Software development costs are capitalized if it is probable that the asset developed will generate future economic benefits. Software is amortized on a straight-line basis over an estimated useful life of one to fifteen years from the date of acquisition. Maintenance of existing software programs is expensed as incurred.

Estimated useful lives of finite-life intangible assets are reviewed annually with any changes applied prospectively.

Indefinite-life intangibles

Spectrum licenses, for wireless telecommunication services, have been classified as indefinite-life intangible assets due to the current licensing terms, the most significant of which are minimal renewal fees and no regulatory precedent of material license revocation. Should these factors change, the classification as indefinite life will be reassessed. The licenses are not subject to amortization and are carried at cost less accumulated impairment losses.

g) Investment property

Properties held for rental purposes are classified as investment properties and are measured at cost less accumulated amortization and impairment losses. Amortization is recorded on investment property on the straight-line basis over the estimated life of each asset as follows:

Buildings	25 - 80 years
Infrastructure	25 - 60 years
Leasehold improvements	Lease term

Depreciation commences when the asset is ready for its intended use. The useful life and depreciation method are reviewed periodically to ensure consistency with the expected pattern of economic benefits from these assets.

h) Deferred supply agreements

Deferred supply agreements include payments made in accordance with long-term coal supply agreements. CIC is amortizing the deferred assets over the remaining life of the long-term coal supply agreements.

i) Financial instruments

CIC classifies its financial instruments into one of the following categories: fair value through profit or loss; loans and receivables; and other liabilities.

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments at fair value through profit or loss in which case the transaction costs are expensed as incurred. Measurement in subsequent years depends on the classification of the financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Financial instruments *(continued)*

Financial instruments at fair value through profit or loss

Financial assets and financial liabilities are classified as fair value through profit or loss if those instruments are held for trading or designated as such upon initial recognition. A financial asset or financial liability is classified as held for trading if it has been acquired with the intention of generating profits in the near term or is part of a portfolio of financial instruments that are managed together where there is evidence of a recent pattern of short-term profit taking. A financial asset or financial liability is designated as fair value through profit or loss if the Corporation manages such instruments and makes decisions based on the fair value of those instruments in accordance with the Corporation's documented risk management or investment strategy. Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value with any revaluation gains and losses recognized in net earnings. The Corporation classifies cash and cash equivalents, derivative financial assets and liabilities that do not qualify as a hedge and are not designated as a hedge, sinking funds, restricted cash and cash equivalents, certain investments included in Note 6, and bank indebtedness as financial instruments at fair value through profit or loss.

Loans and receivables

The Corporation classifies accounts receivable and certain investments as disclosed in Note 6, as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are accounted for at amortized cost using the effective interest method, less any impairment losses.

Investments under securities lending program

Securities lending transactions are entered into on a collateralized basis. The securities lent are not de-recognized on the consolidated statement of financial position given that the risks and rewards of ownership are not transferred from the Corporation to the counterparties in the course of such transactions. The securities are included in the consolidated statement of financial position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities received from counterparties as collateral are not included in the consolidated statement of financial position given that the risks and rewards of ownership are not transferred from the counterparties to the Corporation in the course of such transactions.

Other liabilities

Other liabilities are non-derivative financial liabilities that are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial liabilities are accounted for at amortized cost using the effective interest method. The Corporation classifies trade and other payables, notes payable, long-term debt and finance lease obligations as other liabilities.

Derivative instruments

The Corporation utilizes a variety of derivative instruments to manage its exposure to interest rate, electricity and natural gas price risk.

In order to qualify for hedge accounting, the Corporation designates derivatives as hedges through formal documentation of all relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking the hedge transaction. This process includes linking derivatives to specific assets and liabilities or to specific firm commitments or forecast transactions. The Corporation formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives used are highly effective in offsetting changes in cash flows of the hedged time and the timing of the cash flows is similar.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Financial instruments *(continued)*

Derivative instruments *(continued)*

The Corporation enters into bond forward agreements to hedge exposures to anticipated changes in interest rates on certain forecasted issuances of long-term debt. The Corporation has chosen to designate these contracts as cash flow hedges. As such, the effective portion of the changes in fair value related to the derivative financial instruments have been recognized in other comprehensive income, with the fair value being recognized as derivative financial assets or liabilities on the consolidated statement of financial position. When the derivatives expire upon the issuance of long-term debt, the resulting gain or loss recorded in accumulated other comprehensive income is amortized to net earnings over the term of the debt. If no debt is issued, the gain or loss is recognized in net earnings immediately.

Derivative instruments not designated as a hedge are held for trading and are recorded at fair value in the consolidated statement of financial position in current assets or current liabilities, as described in Note 7, commencing on the trade date. The change in the fair value is recorded in net earnings and classified within the revenue or expense category to which it relates. The revenue and expense categories impacted are described in Note 7(b).

Certain commodity contracts for the physical purchase of natural gas qualify as own-use contracts. The Corporation entered into these contracts for the purpose of physical receipt of the natural gas in accordance with its own expected usage requirements for the generation of electricity. As such, these non-financial derivative contracts are not recorded at fair value on the consolidated statement of financial position; rather, the contracts are accounted for as a purchase at the time of delivery.

Derivatives may be embedded in other host instruments. Embedded derivatives are treated as separate derivatives when the economic characteristics and risks are not closely related to those of the host instrument, the embedded derivative has the same terms as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with subsequent changes recognized in net earnings.

The Corporation utilizes natural gas sales contracts with embedded derivatives for non-regulated contract sales to large end-use customers.

j) Impairments

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset which can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to CIC on terms that CIC would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

CIC considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j) Impairments *(continued)*

Financial assets *(continued)*

In assessing collective impairment, CIC uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net earnings and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net earnings.

Non-financial assets

The carrying amounts of non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

CIC's corporate assets do not generate separate cash inflows. If there is an indication that an asset may be impaired, then the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Provisions

A provision is recognized if, as a result of a past event, CIC has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount on provisions is recognized in the consolidated statement of comprehensive income as finance expenses.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning provisions

A decommissioning provision is a legal or constructive obligation associated with the decommissioning of a long-lived asset. CIC recognizes decommissioning provisions in the year incurred if a reasonable estimate of fair value (net present value) can be determined. CIC recognizes decommissioning provisions in the year in which the facility is commissioned. CIC recognizes provisions for the decommissioning of assets containing PCBs in excess of existing federal regulations.

The fair value of estimated decommissioning costs is recorded as a provision with an offsetting amount capitalized and included as part of property, plant and equipment. Decommissioning provisions are increased periodically for the passage of time by calculating accretion expense on the provision. The offsetting capitalized costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and an estimate of future inflation. Decommissioning provisions are periodically reviewed and any changes are recognized as an increase or decrease in the carrying amount of the liability and the related asset.

Environmental remediation

A provision for environmental remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of CIC, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These provisions are based on management's best estimate considering current environmental laws and regulations and are recorded at fair value. CIC reviews its estimates of future environmental expenditures on an ongoing basis.

Unpaid insurance claims

The provision for unpaid claims represents an estimate of the total cost of outstanding claims. The estimate includes the cost of reported claims, and claims incurred but not reported, an estimate of adjustment expenses to be incurred on these claims and a provision for adverse deviation in accordance with Canadian Institute of Actuaries' Standards. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current year and is included in operating expenses.

l) Revenue

Natural gas sales and delivery

Revenue is recognized when natural gas is delivered to customers. An estimate of natural gas delivered, but not billed, is included in revenue.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Revenue *(continued)*

Natural gas transportation and storage

Revenue is recognized when transportation, storage and related services are provided to the customer. An estimate of transportation, storage and related services rendered but not billed is included in revenue.

Electricity

Electricity revenue is recognized upon delivery to the customer and includes an estimate of electrical deliveries not yet billed at year-end. Electricity trading revenues and expenses are reported on a gross basis upon delivery of electricity to the customers and receipt of electricity purchased from external parties. Electricity trading contracts are recorded at fair value.

Telecommunications

Telecommunications revenue represents the fair value of the consideration received or receivable for the services provided and equipment sales, net of discounts, volume rebates and sales taxes. Revenue from the sale of equipment and rendering of services is recognized in the year the services are provided or the equipment is sold, when there is persuasive evidence that an arrangement exists, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Corporation and, in the case of equipment sales, when the significant risks and rewards of ownership of the goods are transferred to the buyer. Where CIC acts as an agent in a transaction, amounts collected on behalf of the principal are excluded from revenue.

Revenues from local telecommunications, data, internet, entertainment and security services are recognized based on access to CIC's network and facilities at the rate plans in effect during the year the service is provided. Certain service connection charges and activation fees, along with corresponding direct costs are deferred and recognized over the average expected term of the customer relationship. Revenues from long distance and wireless airtime are recognized based on the usage or rate plans in the year service is provided. Revenues from equipment sales are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, typically when the equipment is delivered to and accepted by the customer. Revenues for longer term contracts are recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Payments received in advance are recorded as deferred revenue until the product or service is delivered.

Customer solutions may involve the delivery of multiple services and products that occur at different points and over different periods of time. The multiple services are separated into respective accounting units and consideration is allocated among the accounting units. The relevant revenue recognition policies are applied to each accounting unit.

When CIC receives no identifiable separate benefit for consideration given to a customer (discounts and rebates), the consideration is recorded as a reduction of revenue rather than as an expense.

Revenues are earned through the sale of print and electronic telephone directory advertising, and on-line advertising. Print directory advertising revenues are recognized at the delivery date of the directory. Electronic directory advertising revenues are recognized commencing with the display date. Amounts billed in advance for directory advertising are deferred and recognized at the delivery date of the directory.

Operating revenues for perpetual licenses are recognized on delivery or according to the terms of the license agreement. Revenues related to customized software contracts are recognized upon customer acceptance or when customer acceptance provisions of the contract are satisfied. Where the arrangement includes multiple elements, perpetual license revenues are recognized on delivery, provided the undelivered elements are not essential to the functionality of the license, CIC has evidence of fair value for all the undelivered items and completion costs are reliably measurable. If payment is subject to customer acceptance, revenue is not recognized until customer acceptance or expiration of the acceptance period. Fees for professional services,

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Revenue *(continued)*

Telecommunications *(continued)*

other than in the context of multiple element arrangements, are recognized as services are rendered. Support and maintenance fees are recognized over the term of the contract.

The Canadian Radio-television and Telecommunications Commission (CRTC) has established a National Subsidy Fund to subsidize Local Exchange Carriers (LECs), like the Corporation, that provide service to residential customers located in high cost service areas (HCSAs). The CRTC has set the rate per line and band for all LECs. CIC recognizes the revenue on an accrual basis by applying the rate to the number of residential network access lines served during the year in HCSAs.

Property and casualty insurance

The Corporation's policies have all been classified upon inception as insurance contracts. An insurance contract is a contract which transfers significant insurance risk and upon the occurrence of the insured event, causes the insurer to make a benefit payment to the insured party. The sale of policies generates premiums written, which are taken into income over the terms of the related policies, no longer than twelve months. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Property registration

Land, corporate and personal property registry revenues are recognized when services are rendered.

Gaming

Gaming revenue (table and slot revenues) represents the net win from gaming activities, which is the difference between the amounts wagered and the payouts by the casino. Gaming revenues are net of accruals for anticipated payouts of progressive jackpots.

Customer contributions

The Corporation obtains customer contributions related to the construction of new natural gas, electricity, water and waste-water service connections. Customer contributions for natural gas and electricity service are recognized initially as deferred revenue and are recognized into net earnings once the related property, plant and equipment is available for use. These customer contributions are often subject to refunds over a specified period. An estimate of these refunds remains in deferred revenue until the eligible refund period expires. Customer contributions received from water and waste-water customers are recognized initially as other liabilities when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the customer contract. The contributions are then recognized into net earnings on a systematic basis over the life of the related customer contract. If there is no customer contract in place the contributions are recognized into net earnings on a systematic basis over the life of the related assets.

Other

Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants and clients.

m) Government grants

Conditional government grants are initially measured at fair value and recognized as other liabilities provided that there is reasonable assurance that the grant will be received and CIC will comply with the conditions associated with the grant. Grants that compensate CIC for expenses incurred are recognized in net earnings in the same year in which the expenses are recognized. Grants that compensate CIC for the cost of an asset are netted against the capitalized asset cost and recognized in net earnings over the useful life of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

n) Foreign currency transactions

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Canadian dollars at the exchange rate at that date. Non-monetary assets and liabilities are translated using the exchange rates on the date of the transactions. Foreign currency differences arising on translation are recognized in net earnings.

o) Employee future benefits

CIC has three defined benefit pension plans, a defined contribution pension plan, and other plans that provide post-retirement benefits for its employees.

Defined contribution pension plan

A defined contribution plan is a post-employment benefit under which CIC pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized as an employee future benefit expense in net earnings in the year during which services are rendered by employees.

Defined benefit pension plans

A defined benefit pension plan is a post-employment benefit plan other than a defined contribution pension plan. CIC's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for service in the current and prior years. The benefit is discounted to determine present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of CIC's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to CIC, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to CIC if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in net earnings on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in net earnings.

CIC recognizes all actuarial gains and losses in other comprehensive income immediately in the year of occurrence. These amounts are transferred from accumulated other comprehensive income to retained earnings in the year of occurrence since the actuarial gains and losses will not be reclassified to net earnings in subsequent years.

Other benefit plans

CIC's net obligation in respect of employee future benefits other than pension plans is the amount of future benefit that employees have earned in return for service in the current and prior years. The calculated benefit is discounted to determine its present value, and the fair value of any related assets if any, is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of CIC's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are included in other comprehensive income immediately in the year of occurrence.

The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants of these plans. Benefits are funded by the current operations of the Corporation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

q) Finance income and expenses

Finance income comprises sinking fund earnings, interest income on investments at fair value through profit or loss, gains on sale of investments at fair value through profit or loss, and changes in fair value of financial assets at fair value through profit or loss.

Finance expenses comprise interest expense on financial liabilities measured at amortized cost, changes in the fair value of financial assets at fair value through profit or loss, and accretion expense on provisions less interest capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, form part of the cost of that asset with a corresponding decrease in financing expenses.

On the consolidated statement of cash flows, interest paid is classified as an operating activity, interest received is classified as an investing activity, dividends received are classified as an investing activity and dividends paid are classified as a financing activity.

r) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the Corporation. CIC has assessed its arrangements to determine whether or not leases exist. Certain take-or-pay power purchase agreements which, in management's judgement, give CIC the exclusive right to use specific production assets, meet the definition of a lease. These arrangements are classified as finance leases.

Assets held under finance leases are initially recognized at the lower of fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recorded as a finance lease obligation. Each lease payment is allocated between the liability and interest so as to achieve a constant rate on the finance balance outstanding. The interest component is included in finance expense.

All other transactions in which CIC is the lessee are classified as operating leases. Payments made under operating leases are expensed over the term of the lease.

s) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2012, and have not been applied in preparing the consolidated financial statements.

IFRS 4, *Insurance Contracts*

The International Accounting Standards Board (IASB) issued exposure draft ED/2010/8, *Insurance Contracts* on July 30, 2010 and would replace IFRS 4, *Insurance Contracts*. The proposals represent the first comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting for insurers. The IASB plans to issue a re-exposure draft in the first half of 2013. A final standard is expected in 2014, with implementation not expected before 2017.

IFRS 9, *Financial Instruments*

IFRS 9 was issued by the IASB on November 12, 2009 and will replace International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement*. The standards are to be applied prospectively and will be effective for annual periods beginning on or after January 1, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s) New standards and interpretations not yet adopted *(continued)*

IFRS 9, *Financial Instruments* *(continued)*

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Under IFRS 9, financial assets will generally be measured initially at fair value plus particular transaction costs, and subsequently at either amortized cost or fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's credit risk in other comprehensive income, rather than within net earnings. The Corporation is reviewing the standard to determine the potential impact, if any, on the consolidated financial statements.

IFRS 10, *Consolidated Financial Statements* and IAS 27, *Separate Financial Statements*

IFRS 10 and IAS 27 were issued by the IASB on May 12, 2011, and together will replace IAS 27, *Consolidated and Separate Financial Statements*. The standards are to be applied retrospectively, in most circumstances, and will be effective for annual periods beginning on or after January 1, 2013.

IFRS 10 includes requirements related to consolidated financial statements. It builds on existing principles by establishing a single control model to assess whether an investee should be consolidated. The model focuses on exposure or rights to variability in returns versus the previous concept of benefits.

IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the entity prepares separate financial statements.

The Corporation has reviewed the new standards and determined the adoption of IFRS 10 and IAS 27 will have no material impact on its consolidated financial statements.

IFRS 11, *Joint Arrangements*

IFRS 11 was issued by the IASB on May 12, 2011, and will replace IAS 31, *Interests in Joint Ventures*. The standards are applied prospectively and effective for annual periods beginning on or after January 1, 2013.

IFRS 11 requires a party to a joint arrangement to determine the type of arrangement, either a joint operation or a joint venture, by assessing its rights and obligations arising from the arrangement. The option of using proportionate consolidation for jointly controlled entities has been eliminated under IFRS 11.

Under IAS 31, the Corporation classifies its investment in the Cory Cogeneration Joint Venture (Cory) and Foragen Technologies Limited Partnership (Foragen) as jointly controlled entities and uses the equity method.

The Corporation has determined that upon adoption of IFRS 11, its investment in Cory will meet the definition of a joint operation and will be accounted for using the proportionate consolidation method. The Corporation expects that adoption will have no material impact on the consolidated financial statements.

The Corporation has determined that upon adoption of IFRS 11, the investment in Foragen will meet the definition of a joint venture and will continue to be accounted for using the equity method. The Corporation therefore expects that adoption will have no impact on the consolidated financial statements.

Under IAS 31, the Corporation classifies its investments in the Kisbey Gas Gathering and Processing Facility, and the Totnes Natural Gas Storage Facility as jointly controlled assets and includes its proportionate share of the related assets, liabilities, revenues and expenses in the consolidated financial statements. Under IFRS 11, these investments will meet the definition of a joint operation and the Corporation will continue to include its proportionate share of assets, liabilities, revenues and expenses in the consolidated financial statements.

IFRS 12, *Disclosure of Interests in Other Entities*

IFRS 12 was issued by the IASB on May 12, 2011. The standards are to be applied prospectively and will be effective for annual periods beginning on or after January 1, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s) New standards and interpretations not yet adopted *(continued)*

IFRS 12, *Disclosure of Interests in Other Entities* *(continued)*

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and unconsolidated structured entities. The new disclosure requirements will be included in the December 31, 2013 consolidated financial statements.

IFRS 13, *Fair Value Measurement*

IFRS 13 was issued by the IASB on May 12, 2011. The standard is applied prospectively and effective for annual periods beginning on or after January 1, 2013.

IFRS 13 defines fair value, sets out a framework for measuring fair value, and introduces consistent requirements for disclosures on fair value measurements. The Corporation is currently assessing the impact of the new recommendations and will include new disclosure requirements in the December 31, 2013 consolidated financial statements.

Amendments to IAS 1, *Presentation of Financial Statements*

An amended version of IAS 1 was issued by the IASB on June 16, 2011. The amendments are to be applied retrospectively effective for annual periods beginning on or after July 1, 2012.

The amendments introduce changes to the presentation of items in other comprehensive income. The Corporation has reviewed the amendments and determined that adoption will have no material impact on its consolidated financial statements.

Amendments to IAS 19, *Employee Benefits*

An amended version of IAS 19 was issued by the IASB on September 16, 2011. The amendments are to be applied retrospectively and will be effective for annual periods beginning on or after January 1, 2013.

The revised IAS 19 eliminates the option to defer the recognition of gains and losses (the 'corridor method'); streamlines the presentation of changes in asset and liabilities arising from defined benefit plans; and enhances the disclosure requirements for defined benefit plans. The amendments will require re-measurements (actuarial gains and losses) to be recognized immediately in other comprehensive income and all current service costs and interest income (expense) to be recognized immediately in net earnings. Interest income (expense) will be calculated by applying the discount rate (used to value the defined benefit obligation) to the net defined benefit asset (liability). The Corporation estimates that upon adoption of the amendments, net earnings for the year ended December 31, 2012 will be reduced by $40.8 million and other comprehensive loss will decrease by that same amount.

IAS 28, *Investments in Associates and Joint Ventures*

An amended version of IAS 28 was issued by the IASB on May 12, 2011. The standards are to be applied prospectively and will be effective for annual periods beginning on or after January 1, 2013.

IAS 28 was amended to incorporate accounting for joint ventures because the equity method is now applicable to both joint ventures and associates. IAS 28 continues to prescribe the accounting for investments in associates, but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The Corporation has determined that adoption of the amendments will have no material impact on its consolidated financial statements.

Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities* and IFRS 7, *Disclosures*

On December 16, 2011, the IASB issued amendments to IAS 32 and IFRS 7 as part of its offsetting project. The amendments are to be applied retrospectively and will be effective for annual periods beginning on or after January 1, 2013 for IFRS 7 and January 1, 2014 for IAS 32.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s) New standards and interpretations not yet adopted *(continued)*

Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities* and IFRS 7, *Disclosures* *(continued)*

The amendments clarify certain items regarding offsetting financial assets and financial liabilities and also address common disclosure requirements. The Corporation has determined that adoption of the amendments to IFRS 7 and IAS 32 will have no material impact on its consolidated financial statements.

4. STATUS OF CIC

CIC was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of *The Crown Corporations Act, 1993*. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes. Certain jointly controlled enterprises and subsidiaries are not provincial Crown corporations and are subject to federal and provincial income taxes.

5. CASH AND CASH EQUIVALENTS

(thousands of dollars)

	2012	2011
Cash	$ 63,892	$ 156,556
Short-term investments	262,747	215,225
	$ 326,639	$ 371,781

The weighted average interest rate for short-term investments included in cash and cash equivalents at December 31, 2012 was 1.09 per cent (2011 - 1.19 per cent).

6. INVESTMENTS

(thousands of dollars)

	2012	2011
Short-Term Investments		
Short-term investments at fair value through profit or loss	$ 415,104	$ 392,605
Loans and notes receivable	3,580	10,626
Loans receivable - Immigrant Investor Program (IIP) (a)	27,274	-
Sinking funds - at fair value through profit or loss (b)	2,230	6,033
	$ 448,188	$ 409,264
Portfolio Investments - at fair value through profit or loss	$ 215,618	$ 190,146
Bonds, Debentures, Loans and Notes Receivable		
Bonds and debentures - at fair value through profit or loss	431,027	352,872
Loans and notes receivable	8,781	23,261
Loans receivable - IIP (a)	7,028	-
	446,836	376,133
Leases Receivable	3,485	3,464
Sinking Funds - at fair value through profit or loss (b)	562,575	507,182
Other - at fair value through profit or loss	1,610	1,265
	$ 1,230,124	$ 1,078,190

6. INVESTMENTS *(continued)*

a) Included in loans receivable is $27.3 million (2011 - Nil) of current loans and $7.0 million (2011 - Nil) of non-current loans with various builders and developers which are used to construct housing units for subsequent sale to eligible parties pursuant to the Headstart on a Home Program (Note 8(b)). Principal is repayable on demand. In the absence of a demand for principal repayment, principal is repayable upon the sale of individual units and no later than loan maturity which is defined as sixteen to eighteen months from the date of the loan is advanced.

Accrued interest is payable on demand. In the absence of such demand, interest is payable monthly. Interest is subject to the following terms:

i) At a fixed rate of 4.0 per cent calculated daily and payable monthly in arrears during construction;
ii) In the event of default, the borrower pays interest at a fixed rate of 4.0 percent with interest on overdue interest at the same rate, compounded monthly; and
iii) Upon demand being made, interest is payable both before and after maturity or default at the rate of the Bank of Canada prime rate plus 5.0 per cent with interest on overdue interest at the same rate, compounded monthly.

b) Changes in the carrying amount of sinking funds are as follows (thousands of dollars):

	2012	2011
Sinking funds, beginning of year	$ 513,215	$ 419,665
Net installments	35,896	42,333
Earnings	32,454	36,015
Valuation adjustment	(16,760)	15,202
Sinking funds, end of year	564,805	513,215
Less current portion	(2,230)	(6,033)
	$ 562,575	$ 507,182

Sinking fund installments due in each of the next five years are as follows (thousands of dollars):

2013	$ 42,955
2014	43,483
2015	42,959
2016	42,435
2017	41,572

c) CIC holds one Class B share of Cameco Corporation (Cameco) which provides CIC with the ability to exercise special voting rights with respect to the location of Cameco's head office.

7. FINANCIAL AND INSURANCE RISK MANAGEMENT

(thousands of dollars)

Financial risk management

CIC is exposed to market risk (power generation, natural gas sales, equity prices, sinking funds, foreign exchange rates and interest rates), credit risk and liquidity risk. CIC utilizes a number of financial instruments to manage market risk. CIC mitigates these risks through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

7. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

		2012		2011	
Financial Instruments	Classification (i)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Cash and cash equivalents	FVTPL	$ 326,639	$ 326,639	$ 371,781	$ 371,781
Accounts receivable	LAR	664,010	664,010	602,070	602,070
Derivative financial assets	FVTPL	56,428	56,428	84,092	84,092
Restricted cash and cash equivalents	FVTPL	75,812	75,812	67,517	67,517
Investments - sinking funds - fair value	FVTPL	564,805	564,805	513,215	513,215
Investments - fair value	FVTPL	1,063,359	1,063,359	936,888	936,888
Investments - loans	LAR	15,846	(ii)	37,351	(ii)
Investments - loans - IIP	LAR	34,302	34,313	-	-
Financial Liabilities					
Bank indebtedness	FVTPL	5,785	5,785	13,191	13,191
Trade and other payables	OL	717,720	717,720	684,498	684,498
Derivative financial liabilities	FVTPL	96,767	96,767	150,813	150,813
Notes payable	OL	1,149,319	1,149,319	696,464	696,464
Long-term debt	OL	4,493,777	5,826,279	4,005,304	5,354,243
Finance lease obligations	OL	559,158	660,669	562,038	651,879

		2012		2011	
Derivative Instruments	Classification (i)	Asset	(Liability)	Asset	(Liability)
Physical natural gas contracts	FVTPL	$ 24,841	$ (16,080)	$ 22,301	$ (8,606)
Natural gas price swaps	FVTPL	31,566	(76,240)	55,707	(139,412)
Electricity contracts for differences	FVTPL	21	-	6,084	(1,404)
Physical electricity forwards	FVTPL	-	(641)	-	(1,391)
Bond forward agreements	FVTPL	-	(3,806)	-	-
		$ 56,428	$ (96,767)	$ 84,092	$ (150,813)

i) Classification details are:

FVTPL - fair value through profit or loss
LAR - loans and receivables
OL - other liabilities

ii) The uncertainty and potentially broad range of fair values for Investments - loans (loans and receivables), renders the disclosure of a fair value with appropriate reliability impractical.

7. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

a) Fair value hierarchy

Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation.

Level 1 - Quoted prices are readily available from an active market.
Level 2 - Inputs, other than quoted prices included in level 1 that are observable either directly or indirectly.
Level 3 - Inputs are not based on observable market data.

CIC's financial instruments are categorized within this hierarchy as follows (thousands of dollars):

	2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 326,639	$ -	$ -	$ 326,639
Restricted cash and cash equivalents	75,812	-	-	75,812
Bank indebtedness	5,785	-	-	5,785
Notes payable	1,149,319	-	-	1,149,319
Investments carried at fair value through profit or loss	556,048	1,058,175	13,941	1,628,164
Loans and receivables - IIP	-	34,313	-	34,313
Finance lease obligations	-	660,669	-	660,669
Long-term debt	-	5,826,279	-	5,826,279
Physical natural gas contracts - net	-	8,761	-	8,761
Natural gas price swaps - net	-	(44,674)	-	(44,674)
Electricity contracts for differences - net	-	21	-	21
Physical electricity forwards - net	-	(641)	-	(641)
Bond forwards - net	-	(3,806)	-	(3,806)

	2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 371,781	$ -	$ -	$ 371,781
Restricted cash and cash equivalents	67,517	-	-	67,517
Bank indebtedness	13,191	-	-	13,191
Notes payable	696,464	-	-	696,464
Investments carried at fair value through profit or loss	489,804	936,828	23,471	1,450,103
Finance lease obligations	-	651,879	-	651,879
Long-term debt	-	5,354,243	-	5,354,243
Physical natural gas contracts - net	-	13,695	-	13,695
Natural gas price swaps - net	-	(83,705)	-	(83,705)
Electricity contracts for differences - net	-	4,680	-	4,680
Physical electricity forwards - net	-	(1,391)	-	(1,391)

7. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

a) Fair value hierarchy *(continued)*

Changes in Level 3 investments carried at fair value are as follows (thousands of dollars):

	2012	2011
Balance, beginning of year	$ 23,471	$ 26,194
Unrealized losses attributable to assets held at the end of the year included in net earnings	(4,252)	(6,171)
Purchases	1,250	3,463
Sales	(6,353)	(15)
Other	(175)	-
Balance, end of year	$ 13,941	$ 23,471

Investments carried at fair value through profit or loss

i) Categorized as level 2

Investments carried at fair value through profit and loss and categorized as level 2 in the hierarchy include sinking funds, bonds, debentures, pooled mortgage investments and certain loans receivable related to IIP as disclosed in Note 6.

The fair value of sinking funds is determined by the Saskatchewan Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

The fair value of bonds and debentures is based on model pricing techniques that effectively discount prospective cash flows to present value taking into consideration duration, credit quality, and liquidity.

The fair value of pooled mortgage investments is determined based on the market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgage.

The fair value of loans receivable related to the IIP is calculated by discounting scheduled cash flows through to the estimated maturity of the loan using commercial interest rates for similar term loans.

ii) Categorized as level 3

In estimating fair value for equity investments designated as fair value through profit or loss (FVTPL), the Corporation places priority on observable market information for the particular security when such information is available, namely the security's closing price on the listing exchange. The fair values of unlisted securities are established according to the requirement of IAS 39 - *Financial Instruments Recognition and Measurement*. In applying IAS 39, the Corporation considers International Private Equity and Venture Capital (IPEV) guidelines, as well as the guidance provided by the Canadian Institute of Chartered Business Valuators (CICBV), within the constraints of IAS 39.

Where evidence of a recent, arm's length transaction has occurred in the shares of an unlisted equity position held by the Corporation, the Corporation considers such a transaction to generally provide a good indication of fair value. Where a recent, arm's length transaction has not occurred, or secondary indicators exist which would question the applicability of a recent transaction, the Corporation considers alternative valuation methodologies permitted under IAS 39. These methods are primarily focused on the projected earnings or cash flows of the business, discounted to present value by applying a discount rate which appropriately reflects industry and company specific risk factors.

7. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

a) Fair value hierarchy *(continued)*

ii) Categorized as level 3 *(continued)*

Determining fair value for the Corporation's category 3 investments which are not publicly traded and recorded at fair value through profit or loss requires application of professional judgement and use of estimates. Significant estimates utilized by the Corporation include the timing and amount of future cash flows, anticipated economic outlook for the investee's industry, impact of pending or potential regulation or legislation, forecast consumer tastes, emergence of substitute products, anticipated fluctuations in commodities prices, and macro-economic demand.

Significant aspects of professional judgement include selecting an appropriate valuation approach, determining a range of appropriate risk-adjusted rates of return for a series of cash flows, and assessing the risk inherent in cash flows, the probabilities of micro and macro-economic variables occurring, and probabilities of potentially significant company, industry, or economic factors occurring or failing to occur as the case may be.

In circumstances where fair value cannot be estimated reliably, the category 3 investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired. All recorded values of investments are reviewed at each reporting date for any indication of impairment and adjusted accordingly.

Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Finance lease obligations

Finance lease obligations are valued using internal cash flow models based on contracted pricing in the Corporation's power purchase agreements. The contracted cash flows are discounted using the Government of Saskatchewan bond yields adjusted for a negotiated risk premium.

Derivative financial assets and liabilities

The fair value of electricity related derivatives, physical natural gas contracts and natural gas price swaps is based on quoted market values. CIC obtains information from sources such as the New York Mercantile Exchange and the Natural Gas Exchange, independent price publications and over-the-counter broker quotes. The fair value of natural gas price options is determined using an industry-standard valuation model which requires the use of various assumptions, including quoted market values, interest rates and volatility estimates for forward natural gas prices that are based on external market sources. Where contract prices are referenced to an index price that has been fixed, the market price has been used to estimate the contract price.

Bond forward agreement fair values are determined using internal discounted cash flow models that rely on Government of Canada bond yields provided by independent reference dealers. The contracted cash flows are discounted using observable yield curves.

Other financial assets and liabilities

Other financial assets and liabilities including accounts receivable and trade and other payables have not been classified in the fair value hierarchy given that carrying value approximates fair value due to immediate or short-term maturity.

7. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

b) Unrealized gains (losses) on financial instruments

Depending on the nature of the derivative instrument and market conditions, the change in fair value of derivative financial assets and derivative financial liabilities is recorded in net earnings as either revenue or operating expenses. The impact of unrealized gains (losses) on net earnings is as follows (thousands of dollars):

	2012	2011
Revenue	$ (36,248)	$ 9,845
Operating expenses	66,436	(41,587)
Increase (decrease) in net earnings	**$ 30,188**	$ (31,742)

c) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return. The Corporation manages the following market risks:

Power generation

CIC is exposed to natural gas price risk through natural gas purchased for its natural gas-fired power plants and through certain power purchase agreements that have a cost component based on the market price of natural gas. As at December 31, 2012, CIC had entered into financial and physical natural gas contracts to price manage approximately 58.0 per cent of its budgeted natural gas purchases for 2013, 53.0 per cent for 2014, 46.0 per cent for 2015, 41.0 per cent for 2016, 37.0 per cent for 2017, 30.0 per cent for 2018, 26.0 per cent for 2019, 20.0 per cent for 2020, 15.0 per cent for 2021 and 10.0 per cent for 2022.

Based on CIC's December 31, 2012 closing positions on its financial natural gas hedges a $1 dollar per gigajoule (GJ) increase in the price of natural gas would have resulted in a $79.1 million improvement in the unrealized market value gains recognized in net earnings in the year. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as of December 31, 2012.

CIC is exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions, including Value at Risk (VaR) limits. VaR is the most commonly used metric employed to track and manage the market risk associated with trading positions. A VaR measure gives, for a specific confidence level, an estimated potential loss that could be incurred over a specified period of time. VaR is used to measure the potential change in value for the proprietary trading portfolio, over a ten day period with a 95.0 per cent confidence level, resulting from normal market fluctuations. VaR is estimated using the historical variance/co-variance approach.

VaR has certain inherent limitations. The use of historical information in the estimate assumes that price movements in the past will be indicative of future market risk. As such, it may be only meaningful under normal market conditions. Extreme market events are not addressed by this risk measure. In addition, the use of a ten day measurement period implies that positions can be unwound or hedged within that period; however, this may not be possible if the market becomes illiquid. CIC recognizes the limitations of VaR and actively uses other controls, including restrictions on authorized instruments, volumetric and term limits, stress-testing of individual portfolios and of the total proprietary trading portfolio, and management review.

As at December 31, 2012, the VaR associated with electricity trading activities was Nil (2011 - $0.7 million).

7. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

c) Market risk *(continued)*

Natural gas sales

CIC may manage the risk associated with the purchase and sale price of natural gas. The purchase or sale price of natural gas may be fixed within the contract, or referenced to a floating index price. When the price is referenced to a floating index price, natural gas derivative instruments may be used to fix the settlement amount. The types of natural gas derivative instruments CIC may use for price risk management include natural gas price swaps, options, swaptions and forward contracts. Based on CIC's year end closing positions, an increase of $1 per GJ in natural gas prices would have increased net earnings, through an increase in the fair value of natural gas derivative instruments, by $35.8 million (2011 - $40.9 million). Conversely, a decrease of $1 per GJ would have decreased net earnings, through a decrease in the fair value of natural gas derivative instruments, by $35.8 million (2011 - $40.9 million).

Equity price risk

Equity price risk represents the potential for loss from changes in the value of equity investments.

CIC is exposed to changes in equity prices in Canadian, U.S. and EAFE (Europe, Australia and Far East) markets. The fair value of these equities at December 31, 2012, was $178.1 million (2011 - $141.9 million). Individual stock holdings are diversified by geography, industry type, and corporate entity. No one investee or related group of investees represents greater than 10.0 per cent of the market value of the Corporation's common share portfolio. As well, no one holding represents more than 10.0 per cent of the voting shares of any corporation.

CIC's equity price risk is assessed using VaR to measure the potential change in the value of an asset class. The VaR has been calculated based on volatility over a four year period, using a 95.0 per cent confidence level. As such, it is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95.0 per cent of the time (19 times out of 20 years).

	2012		2011	
Asset Class (thousands of dollars)				
Canadian pooled equity fund and Canadian common shares	+/-	$ 36,319	+/-	$ 31,862
U.S. pooled equity fund and U.S. common shares	+/-	8,891	+/-	9,367
Non-North American pooled equity fund	+/-	12,252	+/-	10,096

Sinking funds

CIC has on deposit with the GRF, under the administration of the Saskatchewan Ministry of Finance, $564.8 million (2011 - $513.2 million) in sinking funds required for certain long-term debt issues. At December 31, 2012, the GRF has invested these funds primarily in Provincial and Federal government bonds with varying maturities to coincide with related debt maturities and are managed based on this maturity profile and market conditions. As such, the related market risk associated with these investments is considered low. CIC does not believe that the impact of fluctuations in market prices related to these investments will be material and, therefore, has not provided a sensitivity analysis of the impact on net earnings or other comprehensive income.

7. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

c) Market risk *(continued)*

Interest rate risk

CIC may be exposed to interest rate risk arising from fluctuations in interest rates on short-term and long-term debt. Interest rate risk is managed by having an appropriate mix of fixed and floating rate debt. The Corporation uses derivative financial instruments, including bond forward agreements, when deemed appropriate to manage interest rate risk. In the current low interest rate environment interest rate risk is considered low. However, if interest rates were to change by 100 basis points this would result in an increase or decrease in net earnings of approximately $11.6 million at December 31, 2012.

CIC is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds, debentures, and pooled mortgage investments. It is estimated that a 100 basis point increase or decrease in interest rates would decrease or increase net earnings by $5.3 million at December 31, 2012 (2011 - $3.1 million).

Foreign currency risk

CIC is exposed to currency risk, primarily US dollars, through transactions with foreign suppliers and short-term foreign commitments. CIC may use a combination of derivative financial instruments to manage these exposures when deemed appropriate. However, CIC has no financial contracts in place to manage foreign currency risk as of December 31, 2012. CIC does not believe that the impact of fluctuations in foreign exchange rates on anticipated transactions will be material and therefore has not provided a sensitivity analysis of the impact on net earnings.

d) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. CIC does not have material concentrations of credit risk given that the majority of accounts receivable is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan.

CIC has material concentrations of credit risk on its loans receivable which are due from builders and developers located in Saskatchewan and therefore could be similarly impacted by changes in the Saskatchewan economy. However, the loans are diversified with companies and in communities throughout Saskatchewan and therefore may not be identically impacted by changes in the overall Saskatchewan economy. Credit risk on these loans is mitigated through the Corporation holding a security interest in the units constructed using loan proceeds and the land upon which the units are constructed which are located in various communities throughout Saskatchewan.

In addition, CIC maintains credit policies and limits in respect to short-term investments, bonds, debentures, loans, notes receivable, leases receivable and counterparties to derivative instruments.

7. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

d) Credit risk *(continued)*

The carrying amount of financial assets represents the maximum credit exposure as follows (thousands of dollars):

	2012	2011
Cash and cash equivalents	$ 326,639	$ 371,781
Short-term investments	448,188	409,264
Accounts receivable	664,010	602,070
Derivative financial assets	56,428	84,092
Restricted cash and cash equivalents	75,812	67,517
Investments - at fair value through profit or loss	1,210,830	1,051,465
Investments - loans and receivables	19,294	26,725
	$ 2,801,201	$ 2,612,914

The allowance for doubtful accounts, which provides an indication of potential impairment losses, is reviewed quarterly based on an analysis of the aging of accounts receivable and an estimate of outstanding amounts that are considered to be uncollectible. Historically, CIC has not written-off a significant portion of its accounts receivable balances.

The allowance for doubtful accounts and the aging of accounts receivable are detailed as follows (thousands of dollars):

Allowance for doubtful accounts	2012	2011
Opening balance	$ 17,110	$ 10,864
Less: Accounts written-off and other	(17,720)	(17,363)
Recoveries	5,532	10,156
Provision for losses	13,298	13,453
Ending balance	$ 18,220	$ 17,110

Accounts receivable	2012	2011
Current	$ 540,323	$ 495,292
30-59 Days	23,351	29,436
60-89 Days	95,320	73,111
Greater than 90 Days	23,236	21,341
Gross accounts receivable	682,230	619,180
Allowance for doubtful accounts	(18,220)	(17,110)
Net accounts receivable	$ 664,010	$ 602,070

7. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Financial risk management *(continued)*

e) Liquidity risk

Liquidity risk is the risk that CIC is unable to meet its financial commitments as they become due. CIC is a provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. CIC, through its diversified holdings and capital allocation and dividend policies, can allocate resources to ensure that all financial commitments made are met.

Where necessary CIC can borrow funds from the GRF, adjust dividend rates, obtain or make grants, or be provided with or provide equity injections to solve any liquidity issues.

The following summarizes the contractual maturities of CIC's financial liabilities at December 31, 2012 (thousands of dollars):

		Contractual Cash Flows					
	Carrying Amount	Total	0-6 Months	7-12 Months	1-2 Years	3-5 Years	More than 5 Years
Long-term debt[1]	$ 4,493,777	$ 8,645,546	$ 78,080	$ 281,751	$ 304,812	$ 1,049,644	$6,931,259
Trade and other payables	717,720	717,720	717,553	167	-	-	-
Derivative financial liabilities	96,767	44,547	44,547	-	-	-	-
Other liabilities[2]	1,553,996	1,554,917	1,274,205	62,092	57,327	95,689	65,604
	$ 6,862,260	$ 10,962,730	$ 2,114,385	$ 344,010	$ 362,139	$ 1,145,333	$ 6,996,863

CIC anticipates generating sufficient cash flows through operations or credit facilities to support these contractual cash flows.

The following summarized the contractual maturities of CIC's financial liabilities at December 31, 2011 (thousands of dollars):

		Contractual Cash Flows					
	Carrying Amount	Total	0-6 Months	7-12 Months	1-2 Years	3-5 Years	More than 5 Years
Long-term debt[1]	$ 4,005,304	$ 7,904,368	$ 74,841	$ 172,416	$ 394,353	$ 943,208	$ 6,319,550
Trade and other payables	684,498	684,498	682,103	2,395	-	-	-
Derivative financial liabilities	150,813	117,017	96,255	20,762	-	-	-
Other liabilities[2]	1,113,252	1,114,623	834,347	65,552	59,010	91,641	64,073
	$ 5,953,867	$ 9,820,506	$ 1,687,546	$ 261,125	$ 453,363	$ 1,034,849	$ 6,383,623

[1] Contractual cash flows for long-term debt include principal and interest payments but exclude sinking fund installments.

[2] Other liabilities include: bank indebtedness, notes payable, provision for unpaid insurance claims (Note 17), amounts due to reinsurers (Note 16) and premium taxes payable (Note 16).

7. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Insurance risk management

Insurance risk arises with respect to the adequacy of CIC's insurance premium rates and provision for unpaid claims (consisting of underwriting and actuarial risks).

f) Underwriting risk

CIC manages its insurance risk though its underwriting and reinsurance strategies within an overall strategic planning process. Pricing is based on assumptions with regards to past experiences and trends. Exposures are managed by having documented underwriting limits and criteria, product and geographic diversification and reinsurance.

i) Diversification

CIC writes property, liability and motor risks over a twelve month period. The most significant risks arise from weather-related events such as severe storms. CIC attempts to mitigate risk by conducting business in a number of provinces across Canada and by offering different lines of insurance products. The concentration of insurance risk by line of business is summarized below by reference to the provision for unpaid claim liabilities (Note 17) (thousands of dollars):

	Gross		Reinsurance Recoverable		Net	
	2012	2011	2012	2011	2012	2011
Automobile	$ 193,784	$ 176,325	$ 20,357	$ 19,474	$ 173,427	$ 156,851
Property	88,040	104,503	19,317	30,602	68,723	73,901
Liability	59,274	66,986	3,910	2,702	55,364	64,284
Assumed	7,740	7,735	-	-	7,740	7,735
Discount	14,295	13,458	1,917	1,822	12,378	11,636
Other	6,004	5,052	-	-	6,004	5,052
	$ 369,137	$ 374,059	$ 45,501	$ 54,600	$ 323,636	$ 319,459

	Gross		Reinsurance Recoverable		Net	
	2012	2011	2012	2011	2012	2011
Saskatchewan	$ 191,040	$ 207,591	$ 20,365	$ 26,464	$ 170,675	$ 181,127
Ontario	120,549	106,501	19,923	18,906	100,626	87,595
Alberta	31,906	32,458	4,341	8,802	27,565	23,656
Maritimes	18,812	18,863	290	273	18,522	18,590
Manitoba	6,830	8,646	582	155	6,248	8,491
	$ 369,137	$ 374,059	$ 45,501	$ 54,600	$ 323,636	$ 319,459

7. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Insurance risk management *(continued)*

f) Underwriting risk *(continued)*

ii) Reinsurance

CIC seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. CIC evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency. The policy of underwriting and reinsuring insurance contracts limits the liability of CIC to a maximum amount for any one loss as follows (thousands of dollars):

	2012	2011
Dwelling and farm property	$ 750	$ 750
Unlicensed vehicles	750	750
Commercial property	1,000	1,000
Automobile and general liability	1,500	1,500
(subject to filling an annual aggregate deductible of)	1,500	1,500
Property catastrophe (health care)	7,500	7,500
Property catastrophe (non-health care)	10,000	8,500

iii) Structured settlements

The Corporation settles some long-term disability claims by purchasing annuities from various financial institutions. The settlements legally release the Corporation from its obligations to the claimants. Consequently, neither the annuities purchased nor the claim liabilities are recognized on the consolidated statement of financial position. However, as part of the settlement, the Corporation provides a financial guarantee to the claimants in the event the financial institutions default on the scheduled payments. As at December 31, 2012, no information has come to the Corporation's attention that would suggest any weakness or failure in the financial institutions from which it has purchased annuities. The net present value of the scheduled payments as of the year-end date is $57.9 million (2011 - $57.5 million).

g) Actuarial risk

The establishment of the provision for unpaid claims (Note 17) is based on known facts and an interpretation of circumstances and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to CIC at year end and therefore estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at year end.

The significant assumptions used to estimate the provision include: CIC's experience with similar cases, historical claim payment trends and claim development patterns, the characteristics of each class of business, claim severity and claim frequency, the effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors, which necessarily involves risk that the actual results may differ materially from the estimates.

h) Securities lending program

Through its custodian, CIC participates in an investment securities lending program for the purpose of generating fee income. Non-cash collateral of at least 102.0 per cent of the market value of the loaned securities is retained by CIC until the loaned securities have been returned. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential

7. FINANCIAL AND INSURANCE RISK MANAGEMENT *(continued)*

Insurance risk management *(continued)*

h) Securities lending program *(continued)*

losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

At December 31, 2012, CIC held collateral of $79.5 million (2011 - $121.2 million) for the loaned securities.

8. RESTRICTED CASH AND CASH EQUIVALENTS

CIC holds the following cash and cash equivalents restricted for use (thousands of dollars):

	2012		2011	
	Current	Non-Current	Current	Non-Current
Meadow Lake Pulp Limited Partnership (a)	$ 7,680	$ 4,872	$ 7,656	$ 4,900
Immigrant investor funds (b)	62,010	-	54,961	-
Funds held in escrow (c)	1,250	-	-	-
	$ 70,940	$ 4,872	$ 62,617	$ 4,900

a) Cash held by the receiver of Meadow Lake Pulp Limited Partnership which is subject to an order of the Court of Queen's Bench of Saskatchewan.

b) Immigrant investor funds are provided through the IIP. The funds are restricted for use in Saskatchewan's Headstart on a Home Program.

c) On December 1, 2012 the Corporation entered into an agreement to purchase $999.0 thousand of 12.0 per cent preferred limited partnership units; a $1.0 thousand, 12.0 per cent debenture; and a $250.0 thousand, 0.0 per cent subordinated debenture in Sturgeon Lake First Nation Development Limited Partnership (SLD LP). The proceeds from the investment will be utilized by SLD LP to purchase a 33.0 per cent interest in Glenmore LP (Glenmor). At December 31, 2012 total proceeds of $1.3 million had been advanced by the Corporation and were held in trust pending satisfaction of certain investment requirements. The funds were released from trust and advanced to SLD LP on January 16, 2013.

9. INVENTORIES

(thousands of dollars)

	2012	2011
Raw materials	$ 153,172	$ 140,953
Natural gas in storage held for resale	249,297	227,983
Finished goods	7,175	5,738
Work-in-progress	2,018	3,694
	$ 411,662	$ 378,368

For the year ended December 31, 2012, $576.4 million (2011 - $599.3 million) of natural gas in storage held for resale, and $423.0 million (2011 - $366.0 million) of raw materials inventory and other inventory were consumed. CIC incurred a Nil (2011 - $30.0 million) write-down of natural gas in storage held for resale and a $1.5 million (2011 - $4.4 million) write-down of other inventory to its net realizable value. There was a $24.3 million (2011 - Nil) reversal of natural gas in storage held for resale write-downs made in prior years.

As at December 31, 2012, the Corporation expects that $123.6 million of the current value of natural gas in storage held for resale will be sold or consumed within the next year and $125.7 million after more than one year. All other inventory is expected to be consumed within the next year.

10. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

(thousands of dollars)

	Place of Incorporation	Reporting Date	Ownership Interest 2012	Ownership Interest 2011	Carrying Value 2012	Carrying Value 2011
Associates						
ML OSB Partnership (a)	Canada	December 31	25.0%	25.0%	$ 22,134	$ 10,800
MRM Cogeneration Station (b)	Canada	December 31	30.0%	30.0%	37,279	36,155
Jump.ca (c)	Canada	March 31	27.4%	27.4%	10,425	9,355
Other equity accounted investees					7,422	5,887
					77,260	62,197
Jointly controlled entities						
Apex Investment Limited Partnership (d)	Canada	December 31	-	54.7%	-	26,878
Cory Cogeneration Joint Venture (e)	Canada	December 31	50.0%	50.0%	43,385	40,762
Foragen Technologies Limited Partnership (f)	Canada	December 31	33.3%	33.3%	5,449	7,815
Other					3,223	3,080
					52,057	78,535
					$ 129,317	$ 140,732

	2012 Associates	2012 Jointly Controlled Entities	2012 Total	2011 Associates	2011 Jointly Controlled Entities	2011 Total
Current assets	$ 30,527	$ 6,521	$ 37,048	$ 45,954	$ 8,177	$ 54,131
Non-current assets	100,044	122,988	223,032	122,627	153,892	276,519
Current liabilities	(26,534)	(5,708)	(32,242)	(44,321)	(6,519)	(50,840)
Non-current liabilities	(26,777)	(71,744)	(98,521)	(62,063)	(77,015)	(139,078)
Share of net assets	$ 77,260	$ 52,057	$ 129,317	$ 62,197	$ 78,535	$ 140,732

	2012 Associates	2012 Jointly Controlled Entities	2012 Total	2011 Associates	2011 Jointly Controlled Entities	2011 Total
Revenue	$ 147,206	$ 25,781	$ 172,987	$ 144,448	$ 23,184	$ 167,632
Expenses	(138,179)	(15,400)	(153,579)	(142,012)	(15,183)	(157,195)
Share of results	$ 9,027	$ 10,381	$ 19,408	$ 2,436	$ 8,001	$ 10,437

a) The Corporation is a limited partner in Meadow Lake OSB Limited Partnership (ML OSB). ML OSB operates an oriented strand board facility near Meadow Lake, Saskatchewan.

10. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES *(continued)*

b) The MRM Cogeneration Station is a 172 megawatt (MW) natural gas-fired cogeneration facility located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta.

c) The Corporation is associated with Jump.ca which operates a cellular marketing and distribution business in Saskatchewan.

d) CIC entered into a joint venture agreement with Apex Investment GP Inc., PFM Capital Inc., Conexus Credit Union 2006, Cornerstone Credit Union and Innovation Credit Union to establish Apex Investments Limited Partnership (Apex). Apex was established on February 1, 2007 to focus on debt and equity investments in Saskatchewan small and medium-sized businesses. The objective of Apex was to realize long-term capital appreciation from its investments. On June 25, 2012, the Corporation sold its investment in Apex for proceeds of $24.2 million resulting in a loss on sale of $7.4 million.

e) The Cory Cogeneration Joint Venture is an unincorporated joint venture between CIC and ATCO Power Canada Ltd. The joint venture owns and operates a 228 MW natural gas-fired cogeneration plant (Cory Cogeneration Station) near Saskatoon, Saskatchewan.

f) The Corporation jointly controls Foragen Technologies Limited Partnership which invests venture capital in agriculture and biotechnology companies in Saskatchewan.

11. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)

	Machinery and Equipment	Buildings and Improvements	Plant Under Construction	Land, Coal Properties and Rights	Finance Leases	Total
Cost						
Balance at January 1, 2011	$ 11,861,404	$ 1,306,584	$ 470,749	$ 174,005	$ 396,954	$ 14,209,696
Transferred from GRF (a)	1,012	1,804	-	-	-	2,816
Additions	773,499	93,478	931,340	2,879	145,000	1,946,196
Disposals	(189,899)	(527)	-	(1)	-	(190,427)
Transfers	-	-	(770,106)	-	-	(770,106)
Balance at December 31, 2011	$ 12,446,016	$ 1,401,339	$ 631,983	$ 176,883	$ 541,954	$ 15,198,175
Balance at January 1, 2012	$ 12,446,016	$ 1,401,339	$ 631,983	$ 176,883	$ 541,954	$ 15,198,175
Additions	920,497	99,706	1,374,553	15,397	-	2,410,153
Disposals	(99,966)	(1,606)	(4)	(155)	-	(101,731)
Transfers	-	-	(970,305)	-	-	(970,305)
Balance at December 31, 2012	$ 13,266,547	$ 1,499,439	$ 1,036,227	$ 192,125	$ 541,954	$ 16,536,292

11. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(thousands of dollars)

	Machinery and Equipment	Buildings and Improvements	Plant Under Construction	Land, Coal Properties and Rights	Finance Leases	Total
Accumulated Depreciation						
Balance at January 1, 2011	$ 5,928,151	$ 529,124	$ -	$ 28,521	$ 143,916	$ 6,629,712
Transferred from GRF (a)	1,012	654	-	-	-	1,666
Depreciation expense	462,407	24,591	-	325	17,468	504,791
Disposals	(177,065)	(258)	-	-	-	(177,323)
Balance at December 31, 2011	$ 6,214,505	$ 554,111	$ -	$ 28,846	$ 161,384	$ 6,958,846
Balance at January 1, 2012	**$ 6,214,505**	**$ 554,111**	**$ -**	**$ 28,846**	**$ 161,384**	**$ 6,958,846**
Depreciation expense	**473,522**	**44,896**	**-**	**2,108**	**21,817**	**542,343**
Disposals	**(75,738)**	**(1,389)**	**-**	**(17)**	**-**	**(77,144)**
Balance at December 31, 2012	**$ 6,612,289**	**$ 597,618**	**$ -**	**$ 30,937**	**$ 183,201**	**$ 7,424,045**
Carrying Amounts						
At December 31, 2011	$ 6,231,511	$ 847,228	$ 631,983	$ 148,037	$ 380,570	$ 8,239,329
At December 31, 2012	**$ 6,654,258**	**$ 901,821**	**$ 1,036,227**	**$ 161,188**	**$ 358,753**	**$ 9,112,247**

a) Pursuant to Order in Council 204/2011 dated March 31, 2011, the GRF transferred property, plant and equipment with a cost of $2.8 million and accumulated depreciation of $1.6 million to CIC at book value.

12. INVESTMENT PROPERTY

(thousands of dollars)

	Buildings	Infrastructure	Leasehold Improvements	Plant Under Construction	Total
Cost					
Balance at January 1, 2011	$ 42,937	$ 10,380	$ 3,950	$ 3,448	$ 60,715
Transferred from GRF (a)	127,755	42,032	2,124	-	171,911
Additions	4,211	1,324	655	1,639	7,829
Disposals	(699)	-	(1)	-	(700)
Balance at December 31, 2011	$ 174,204	$ 53,736	$ 6,728	$ 5,087	$ 239,755
Balance at January 1, 2012	**$ 174,204**	**$ 53,736**	**$ 6,728**	**$ 5,087**	**$ 239,755**
Additions	**4,229**	**6,739**	**807**	**-**	**11,775**
Transfers	**-**	**-**	**-**	**(3,498)**	**(3,498)**
Disposals	**(745)**	**-**	**-**	**-**	**(745)**
Balance at December 31, 2012	**$ 177,688**	**$ 60,475**	**$ 7,535**	**$ 1,589**	**$ 247,287**
Accumulated Depreciation and Impairment Losses					
Balance at January 1, 2011	$ 3,412	$ 784	$ 2,795	$ -	$ 6,991
Transferred from GRF (a)	39,123	11,207	2,043	-	52,373
Depreciation expense	3,900	1,091	497	-	5,488
Disposals	(575)	-	(2)	-	(577)
Impairment losses	-	-	-	691	691
Balance at December 31, 2011	$ 45,860	$ 13,082	$ 5,333	$ 691	$ 64,966
Balance at January 1, 2012	**$ 45,860**	**$ 13,082**	**$ 5,333**	**$ 691**	**$ 64,966**
Depreciation expense	**5,290**	**1,420**	**662**	**-**	**7,372**
Disposals	**(745)**	**-**	**-**	**-**	**(745)**
Balance at December 31, 2012	**$ 50,405**	**$ 14,502**	**$ 5,995**	**$ 691**	**$ 71,593**
Carrying Amounts					
At December 31, 2011	$ 128,344	$ 40,654	$ 1,395	$ 4,396	$ 174,789
At December 31, 2012	**$ 127,283**	**$ 45,973**	**$ 1,540**	**$ 898**	**$ 175,694**

a) Pursuant to Order in Council 204/2011 dated March 31, 2011, the GRF transferred investment property with a cost of $171.9 million and accumulated amortization of $52.4 million to CIC at book value.

The aggregate fair value of properties at December 31, 2012 was $315.0 million (2011 - $299.0 million).

	2012	2011
Rental income from investment properties	$ 38,762	$ 37,802
Direct operating expenses from property that generated rental income during the year	(27,900)	(26,565)
	$ 10,862	$ 11,237

13. INTANGIBLE ASSETS

(thousands of dollars)

	Goodwill	Software and Development Costs	Customer Accounts	Indefinite Life (a)	Other	Total
Cost						
Balance at January 1, 2011	$ 6,457	$ 408,206	$ 58,612	$ 65,981	$ 2,025	$ 541,281
Acquisitions - internally developed	-	19,621	-	-	-	19,621
Disposals	-	(28,926)	-	-	-	(28,926)
Acquisitions - other	-	77,104	3,487	-	-	80,591
Balance at December 31, 2011	$ 6,457	$ 476,005	$ 62,099	$ 65,981	$ 2,025	$ 612,567
Balance at January 1, 2012	**$ 6,457**	**$ 476,005**	**$ 62,099**	**$ 65,981**	**$ 2,025**	**$612,567**
Acquisitions - internally developed	**-**	**27,609**	**-**	**-**	**-**	**27,609**
Disposals	**-**	**(658)**	**-**	**-**	**(525)**	**(1,183)**
Acquisitions - other	**-**	**77,482**	**5,440**	**-**	**-**	**82,922**
Balance at December 31, 2012	**$ 6,457**	**$ 580,438**	**$ 67,539**	**$ 65,981**	**$ 1,500**	**$721,915**
Accumulated Amortization						
Balance at January 1, 2011	$ -	$ 296,036	$ 33,287	$ -	$ 1,263	$ 330,586
Amortization expense	-	34,447	5,214	-	276	39,937
Disposals	-	(28,885)	-	-	-	(28,885)
Balance at December 31, 2011	$ -	$ 301,598	$ 38,501	$ -	$ 1,539	$ 341,638
Balance at January 1, 2012	**$ -**	**$ 301,598**	**$ 38,501**	**$ -**	**$ 1,539**	**$341,638**
Amortization expense	**-**	**46,835**	**4,650**	**-**	**486**	**51,971**
Disposals	**-**	**(331)**	**-**	**-**	**(525)**	**(856)**
Other	**-**	**631**	**-**	**-**	**-**	**631**
Balance at December 31, 2012	**$ -**	**$ 348,733**	**$ 43,151**	**$ -**	**$ 1,500**	**$393,384**
Carrying Amounts						
At December 31, 2011	$ 6,457	$ 174,407	$ 23,598	$ 65,981	$ 486	$ 270,929
At December 31, 2012	**$ 6,457**	**$ 231,705**	**$ 24,388**	**$ 65,981**	**$ -**	**$328,531**

13. INTANGIBLE ASSETS *(continued)*

a) For the purpose of impairment testing, indefinite-life intangible assets (spectrum licenses) are allocated to SaskTel. This is the lowest level within the Corporation at which indefinite-life intangible assets are monitored for internal management purposes, which is not higher than the Corporation's operating segments. The Corporation's CGU impairment tests were based on fair value less costs to sell using comparable companies that are listed on exchanges and are actively traded. Share prices for these companies were used to derive an Enterprise Value (EV) to earnings before interest, taxes, depreciation, and amortization (EBITDA) ratio that was applied to the EBITDA of the unit to determine the recoverable amount. The Corporation applied an industry average EV to EBITDA ratio adjusted for minority discounts associated with publicly traded shares to the EBITDA of the unit to estimate the recoverable amount of the unit. Impairment tests indicated no impairment at December 31, 2012 or December 31, 2011.

14. OTHER ASSETS

(thousands of dollars)

	2012	2011
Deferred supply agreements	$ 5,438	$ 7,252
Deferred telecommunication connection charges	5,567	5,821
Telecommunications prepaid customer incentives	3,664	-
Other deferred charges	8,940	8,551
	$ 23,609	$ 21,624

15. NOTES PAYABLE

Notes payable are due to the GRF. These notes are due on demand and have an effective interest rate of 1.03 per cent (2011 - 1.03 per cent).

16. DEFERRED REVENUE

(thousands of dollars)

	2012	2011
Unearned insurance premiums	$ 275,410	$ 264,926
Customer contributions	57,142	47,827
Services billed in advance	51,152	42,378
Premium taxes payable	20,505	20,061
Amounts due to reinsurers	9,250	9,477
Other deferred revenue	18,940	18,952
	$ 432,399	$ 403,621

17. PROVISIONS

(thousands of dollars)

	Decommissioning Provisions (a)	Environmental Remediation (b)	Unpaid Insurance Claims (c) and Note 7(f)	Other Provisions	Total
Balance at January 1, 2011	$ 98,045	$ 138,793	$ 315,908	$ 4,267	$ 557,013
Provision for (recovery of) decommissioning and environmental remediation liabilities	1,667	(40,450)	-	-	(38,783)
Other provisions made	19,748	-	323,125	-	342,873
Provisions used	(493)	-	(264,974)	(1,698)	(267,165)
Accretion expense	4,155	1,495	-	177	5,827
Balance at December 31, 2011	$ 123,122	$ 99,838	$ 374,059	$ 2,746	$ 599,765
Current	$ -	$ -	$ 159,335	$ 253	$ 159,588
Non-current	$ 123,122	$ 99,838	$ 214,724	$ 2,493	$ 440,177

	Decommissioning Provisions (a)	Environmental Remediation (b)	Unpaid Insurance Claims (c) and Note 7(f)	Other Provisions	Total
Balance at January 1, 2012	**$ 123,122**	**$ 99,838**	**$ 374,059**	**$ 2,746**	**$ 599,765**
Provision for decommissioning and environmental remediation liabilities	**2,065**	**912**	**-**	**-**	**2,977**
Other provisions made	**5,870**	**-**	**265,047**	**78**	**270,995**
Provisions used	**(745)**	**(28)**	**(269,969)**	**(542)**	**(271,284)**
Accretion expense	**4,037**	**4,144**	**-**	**158**	**8,339**
Balance at December 31, 2012	**$ 134,349**	**$ 104,866**	**$ 369,137**	**$ 2,440**	**$ 610,792**
Current	**$ -**	**$ -**	**$ 150,517**	**$ 128**	**$ 150,645**
Non-current	**$ 134,349**	**$ 104,866**	**$ 218,620**	**$ 2,312**	**$ 460,147**

a) Decommissioning provisions

CIC has estimated the future cost of decommissioning certain electrical and natural gas facilities. For the purposes of estimating the fair value of these obligations, it is assumed that these costs will be incurred between 2013 and 2109 for natural gas facilities and 2013 and 2043 for electrical facilities. The undiscounted cash flows required to settle the obligations total $282.0 million (2011 - $275.3 million). Risk-free rates between 1.79 per cent and 4.50 per cent were used to calculate the discounted carrying value of the obligation. During 2012, the Corporation recorded an additional $2.1 million provision for decommissioning and environmental remediation to settle this liability. No funds have been set aside by CIC to settle this liability.

b) Environmental remediation

The following are included in the provision for environmental remediation:

i) CIC is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of these liabilities. Based on external studies on the site, the Corporation has recorded a total provision of $10.4 million (2011 - $10.0 million) to carry out the clean-up activities and

17. PROVISIONS *(continued)*

b) Environmental remediation *(continued)*

associated costs related to an indemnity provided by Prince Albert Pulp Company (PAPCO) and the Province of Saskatchewan for environmental remediation liabilities predating 1986 related to the Prince Albert pulp mill site no longer owned by CIC. The timing to complete this remediation is indeterminable at this time.

ii) Based on external studies completed on the site, the Corporation has recorded a total provision of $53.0 million (2011 - $50.5 million), to carry out the clean-up activities related to an indemnity provided by PAPCO and the Province of Saskatchewan for environmental remediation liabilities predating 1986 relating to the ERCO Chemical Plant. The timing to complete this remediation is indeterminable at this time.

iii) The Corporation has recorded a total provision of $0.4 million (2011 - $0.4 million) for estimated clean-up activities related to an obligation of Meadow Lake Pulp Limited Partnership as a result of the sale of its assets. These funds are held in trust according to court order, and are to be applied against continued site monitoring expenses through to January 2017, at which time residual amounts may be utilized to conduct a human health and ecological assessment or for specific site remediation according to the landfill closure plan.

iv) During 2012, the Corporation recorded an additional $0.9 million (2011 - $1.3 million) provision for decommissioning and environmental remediation related to estimated environmental remediation for its electrical generation assets. The total provision for these facilities at December 31, 2012 is $41.1 million (2011 - $39.0 million). The Corporation estimates the undiscounted amount of cash flows required for this remediation is approximately $42.6 million, which will be incurred by 2015 (2011 - $42.6 million to be incurred by 2015). A rate, based on the Government of Saskatchewan 5-year bond yield, of 1.79 per cent (2011 - 2.94 per cent) was used to calculate the carrying value of this provision. No funds have been set aside by the Corporation to settle these liabilities.

c) Unpaid insurance claims

The provision for unpaid insurance claims has been calculated including the impact of discounting using a discount rate of 1.97 per cent (2011 - 2.32 per cent).

18. FINANCE AND OPERATING LEASES

(thousands of dollars)

	2012	2011
Total future minimum lease payments	$ 1,382,317	$ 1,453,866
Less: future finance charges on finance leases	(823,159)	(891,828)
Present value of finance lease obligations	559,158	562,038
Less: current portion of finance lease obligations	(5,675)	(3,632)
Finance lease obligations	$ 553,483	$ 558,406

As at December 31, 2012, scheduled future minimum lease payments and the present value of finance lease obligations are as follows:

	1 year	1-5 years	More than 5 years
Future minimum lease payments	$ 73,131	$ 308,648	$ 1,000,538
Present value of finance lease obligations	5,675	46,029	507,454

18. FINANCE AND OPERATING LEASES *(continued)*

Future minimum lease payments for operating leases entered into by CIC, as lessee, are as follows:

	1 year	1-5 years	More than 5 years
Future minimum lease payments	$ 10,651	$ 27,424	$ 16,411

19. LONG-TERM DEBT

(thousands of dollars)

	2012 Principal Outstanding	2012 Effective Interest Rate	2011 Principal Outstanding	2011 Effective Interest Rate
Years to Maturity				
A. General Revenue Fund				
1-5 years	$ 424,766	5.28	$ 397,762	5.21
6-10 years	987,182	8.69	569,012	6.92
11-15 years	228,800	7.72	725,120	8.76
16-20 years	529,000	6.10	529,000	6.15
21-25 years	925,000	5.35	500,000	5.72
26-30 years	1,261,684	4.11	1,186,684	4.86
Total due to GRF	4,356,432		3,907,578	
B. Other long-term debt				
(due 2015 to 2044)	108,421	2.97	67,760	2.79
	4,464,853		3,975,338	
Unamortized debt premium	28,924		29,966	
	4,493,777		4,005,304	
Due within one year	(153,533)		(52,446)	
Total long-term debt	$ 4,340,244		$ 3,952,858	

Principal repayments due in each of the next five years are as follows:

2013	$ 153,533
2014	57,476
2015	60,460
2016	135,940
2017	118,398

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1.0 per cent to 3.0 per cent of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis.

20. EMPLOYEE FUTURE BENEFITS

Defined benefit pension plans

CIC has three defined benefit pension plans for certain of its employees that have been closed to new membership. Annual audited financial statements for each plan are prepared and released publicly. Current service costs of these plans are charged to net earnings on the basis of actuarial valuations.

The actuarial valuations include a provision for uncommitted and ad hoc benefit increases, and are measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate. The major assumptions used in the valuations are as follows:

	2012		
	SaskTel	SGI	SaskPower
Economic Assumptions			
Discount rate - end of year	**3.80%**	**3.60%**	**3.75%**
Expected return on plan assets	**6.75%**	**5.50%**	**6.75%**
Inflation rate	**2.50%**	**2.50%**	**2.50%**
Expected salary increase	**3.00%**	**2.50%**	**2.00%**
Post-retirement index	**100% of CPI**	**0% of CPI**	**70% of CPI**
Last actuarial valuation	**12/31/10**	**12/31/10**	**12/31/12[1]**

	2011		
	SaskTel	SGI	SaskPower
Economic Assumptions			
Discount rate - end of year	4.30%	4.20%	4.25%
Expected return on plan assets	6.75%	5.50%	6.75%
Inflation rate	2.50%	2.50%	2.50%
Expected salary increase	3.00%	2.50%	3.50%
Post-retirement index	100% of CPI	0% of CPI	70% of CPI
Last actuarial valuation	12/31/10	12/31/10	12/31/11[1]

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by IFRS. Two of the most significant assumptions are the discount rate and expected long-term rate of return on plan assets. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the obligations. The expected long-term rate of return on assets is based upon the asset mix and the expected returns for each asset class.

[1] The measurement date of the actuarial valuation used to determine SaskPower's defined benefit pension plan assets and obligations was September 30 and the results were extrapolated to December 31 for each year presented.

20. EMPLOYEE FUTURE BENEFITS *(continued)*

Defined benefit pension plans *(continued)*

Information about CIC's defined benefit plans is as follows (thousands of dollars):

	2012		
	SaskTel	SGI	SaskPower
Accrued benefit obligation			
Accrued benefit obligation, beginning of year	**$ 1,130,310**	**$ 37,307**	**$ 988,379**
Current service cost	**166**	**98**	**1,891**
Interest cost	**47,155**	**1,503**	**40,827**
Benefits paid	**(67,699)**	**(3,050)**	**(59,081)**
Impact of change in actuarial assumptions in other comprehensive income	**70,654**	**1,861**	**63,991**
Accrued benefit obligation, end of year	**$ 1,180,586**	**$ 37,719**	**$ 1,036,007**

	2011		
	SaskTel	SGI	SaskPower
Accrued benefit obligation			
Accrued benefit obligation, beginning of year	$ 1,050,704	$ 36,431	$ 891,497
Current service cost	1,075	116	3,188
Interest cost	53,475	1,713	45,519
Benefits paid	(66,408)	(2,940)	(54,828)
Impact of change in actuarial assumptions in other comprehensive income	91,464	1,987	103,003
Accrued benefit obligation, end of year	$ 1,130,310	$ 37,307	$ 988,379

	2010		
	SaskTel	SGI	SaskPower
Accrued benefit obligation			
Accrued benefit obligation, beginning of year	$ 976,755	$ 36,259	$ 862,752
Current service cost	1,693	131	6,539
Interest cost	56,731	1,848	48,494
Benefits paid	(65,849)	(2,954)	(50,874)
Impact of change in actuarial assumptions in other comprehensive income	81,374	1,147	24,586
Accrued benefit obligation, end of year	$ 1,050,704	$ 36,431	$ 891,497

20. EMPLOYEE FUTURE BENEFITS *(continued)*

Defined benefit pension plans *(continued)*

	2012		
	SaskTel	SGI	SaskPower
Plan assets			
Fair value of plan assets, beginning of year	$ 914,283	$ 34,067	$ 726,561
Expected return on plan assets	59,435	1,792	47,054
Actuarial gains in other comprehensive income	32,628	630	31,312
Employee funding contributions	39	27	104
Employer funding contributions	133	70	50
Benefits paid	(67,699)	(3,050)	(59,081)
Fair value of plan assets, end of year	$ 938,819	$ 33,536	$ 746,000
Funded status - plan deficit and accrued pension liability	$ (241,767)	$ (4,183)	$ (290,007)

	2011		
	SaskTel	SGI	SaskPower
Plan assets			
Fair value of plan assets, beginning of year	$ 945,668	$ 36,843	$ 744,687
Expected return on plan assets	62,137	1,951	49,347
Actuarial losses in other comprehensive income	(43,301)	(1,885)	(40,239)
Employee funding contributions	198	28	378
Employer funding contributions	15,989	70	27,216
Benefits paid	(66,408)	(2,940)	(54,828)
Fair value of plan assets, end of year	$ 914,283	$ 34,067	$ 726,561
Funded status - plan deficit and accrued pension liability	$ (216,027)	$ (3,240)	$ (261,818)

	2010		
	SaskTel	SGI	SaskPower
Plan assets			
Fair value of plan assets, beginning of year	$ 896,306	$ 36,491	$ 700,223
Expected return on plan assets	58,846	1,929	46,495
Actuarial gains in other comprehensive income	39,555	1,263	20,800
Employee funding contributions	358	36	737
Employer funding contributions	16,452	78	27,306
Benefits paid	(65,849)	(2,954)	(50,874)
Fair value of plan assets, end of year	$ 945,668	$ 36,843	$ 744,687
Funded status - plan (deficit) surplus	$ (105,036)	$ 412	$ (146,810)
Other	-	(271)	-
Accrued pension (liability) asset	$ (105,036)	$ 141	$ (146,810)

On a combined basis, the accrued pension asset is Nil (2011 - Nil) (2010 - $0.1 million).

20. EMPLOYEE FUTURE BENEFITS *(continued)*

Defined benefit pension plans *(continued)*

The defined benefit pension plan income is as follows (thousands of dollars):

	2012		
	SaskTel	SGI	SaskPower
Current service cost - defined benefit pension plan	$ 127	$ 71	$ 1,737
Interest cost	47,155	1,503	40,827
Expected return on pension plan assets	(59,435)	(1,792)	(47,054)
Defined benefit pension plan income	$ (12,153)	$ (218)	$ (4,490)

	2011		
	SaskTel	SGI	SaskPower
Current service cost - defined benefit pension plan	$ 877	$ 89	$ 2,672
Interest cost	53,475	1,713	45,519
Expected return on pension plan assets	(62,137)	(1,951)	(49,347)
Defined benefit pension plan income	$ (7,785)	$ (149)	$ (1,156)

On a combined basis, the defined benefit pension plan income is $16.9 million (2011 - $9.1 million).

The asset allocation of the defined benefit pension plans are as follows:

	2012		
	SaskTel	SGI	SaskPower
Asset category			
Short-term investments	1.2%	1.0%	0.4%
Bond and debentures	31.6%	60.0%	35.3%
Equity securities - Canadian	16.5%	16.0%	16.5%
Equity securities - US	14.3%	11.0%	8.7%
Equity securities - Non-North American	23.4%	12.0%	27.3%
Real estate	13.0%	0.0%	11.8%

	2011		
	SaskTel	SGI	SaskPower
Asset category			
Short-term investments	10.5%	4.0%	0.7%
Bond and debentures	27.8%	56.0%	36.0%
Equity securities - Canadian	21.6%	15.0%	18.0%
Equity securities - US	14.4%	14.0%	10.0%
Equity securities - Non-North American	15.3%	11.0%	25.0%
Real estate	10.4%	0.0%	10.3%

20. EMPLOYEE FUTURE BENEFITS *(continued)*

Other benefit plans

Other benefit plans include a defined benefit and a defined contribution severance plan, a supplementary superannuation plan, two defined benefit service recognition plans, a defined benefit retiring allowance plan and a voluntary early retirement plan (thousands of dollars):

	2012			
	SaskTel	SGI	SaskPower	SaskEnergy
Accrued benefit liability	$ 21,769	$ 20,295	$ 49,114	$ 12,215
Net expense	806	1,593	9,746	788

	2011			
	SaskTel	SGI	SaskPower	SaskEnergy
Accrued benefit liability	$ 21,843	$ 19,177	$ 52,651	$ 13,180
Net expense	910	2,351	8,988	1,287

The significant actuarial assumptions adopted in measuring CIC's accrued benefit obligations are:

	2012			
	SaskTel	SGI	SaskPower	SaskEnergy
Discount rate	3.4%	3.3%	3.3%	3.1%
Long-term rate of compensation increases	3.0%	3.5%	2.0%	3.0%
Remaining service life (years)	9.5	9.0	7.9	6.4

	2011			
	SaskTel	SGI	SaskPower	SaskEnergy
Discount rate	3.8%	3.8%	3.8%	3.6%
Long-term rate of compensation increases	3.0%	3.5%	3.5%	3.0%
Remaining service life (years)	10.9	10.0	8.2	6.9

Experience adjustments recognized directly in other comprehensive loss for defined benefit pension plans and other benefit plans (thousands of dollars):

	2012		
	SaskTel	SGI	SaskPower
Experience loss on defined benefit pension plan liabilities	$ -	$ (20)	$ (8,752)
Experience gain on defined benefit pension plan assets	-	630	31,312
Experience loss on other benefit plan liabilities	-	(762)	(620)
	$ -	$ (152)	$ 21,940

	2011		
	SaskTel	SGI	SaskPower
Experience (loss) gain on defined benefit pension plan liabilities	$ (26,897)	$ 50	$ (1,229)
Experience loss on defined benefit pension plan assets	-	(1,885)	(40,239)
Experience loss on other benefit plan liabilities	-	(1,275)	(587)
	$ (26,897)	$ (3,110)	$ (42,055)

20. EMPLOYEE FUTURE BENEFITS *(continued)*

Cumulative actuarial losses recognized directly in other comprehensive loss for defined benefit pension plans and other benefit plans

Cumulative actuarial losses recognized directly in other comprehensive loss are as follows (thousands of dollars):

	2012		
	SaskTel	SGI	SaskPower
Cumulative amount, beginning of year	$ (178,931)	$ (6,309)	$ (145,970)
Recognized during the year for defined benefit pension plans	(38,026)	(1,231)	(32,679)
Recognized during the year for other benefit plans	(368)	(786)	460
Cumulative amount, end of year	$ (217,325)	$ (8,326)	$ (178,189)

	2011		
	SaskTel	SGI	SaskPower
Cumulative amount, beginning of year	$ (43,033)	$ (1,371)	$ (2,996)
Recognized during the year for defined benefit pension plans	(134,765)	(3,872)	(143,242)
Recognized during the year for other benefit plans	(1,133)	(1,066)	268
Cumulative amount, end of year	$ (178,931)	$ (6,309)	$ (145,970)

For the year ended December 31, 2012, the total actuarial losses recognized of $72.6 million (2011 - $283.8 million) are transferred from accumulated other comprehensive loss to retained earnings. The cumulative amount therefore does not appear in Note 23.

Employee future benefit liability

The employees future benefit liability includes liabilities incurred from CIC's defined benefit pension plans and other benefit plans. At December 31, 2012, these liabilities totaled $639.8 million (2011 - $588.3 million).

Defined contribution pension plans

CIC also has employees who are members of defined contribution pension plans. CIC's financial obligation is limited to contractual contributions to the plan. For the year ended December 31, 2012, CIC paid $50.7 million (2011 - $48.5 million) into these plans.

Employee future benefits expense

Employees future benefits expense includes contributions to the defined contribution pension plans and net expenses for other benefit plans, less defined benefit pension plan income. For the year ended December 31, 2012, employee future benefits expense totals $46.8 million (2011 - $53.0 million).

21. OTHER LIABILITIES

(thousands of dollars)

	2012	2011
Customer contributions	$ 56,919	$ 40,490
Government grants	28,935	18,405
Other liabilities	17,223	19,103
	$ 103,077	$ 77,998

22. EQUITY ADVANCES AND CAPITAL DISCLOSURES

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF.

Due to its ownership structure, CIC has no access to capital markets for equity. Equity advances in CIC are determined by the shareholder on an annual basis. Dividends to the GRF are determined through the Saskatchewan provincial budget process on an annual basis.

CIC closely monitors its debt level utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in CIC's capital structure. CIC uses this measure in assessing the extent of financial leverage and in turn, its financial flexibility.

Too high a ratio relative to target indicates an excessive debt burden that may impair CIC's ability to withstand downturns in revenues and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the year.

CIC reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure consistency with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the CIC Board. CIC uses targeted debt ratios to compile a weighted average debt ratio for the CIC Crown sector. The target ratio for 2013 is 54.6 per cent.

CIC raises most of its capital requirements through internal operating activities and long-term debt through the GRF. This type of borrowing allows CIC to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates.

CIC made no changes to its approach to capital management during the year and complied with all externally imposed capital requirements.

The debt ratio is as follows (thousands of dollars):

	Note	2012	2011
Total debt (a)		$ 5,643,096	$ 4,701,768
Less: Sinking funds	6(b)	(564,805)	(513,215)
Net debt		5,078,291	4,188,553
Equity (b)		4,347,968	4,221,746
Capitalization		$ 9,426,259	$ 8,410,299
Debt ratio		53.9%	49.8%

a) Total debt includes long-term debt, long-term debt due within one year and notes payable.

b) Equity includes equity advances, contributed surplus and retained earnings.

23. ACCUMULATED OTHER COMPREHENSIVE LOSS

(thousands of dollars)

	2012	2011
Foreign currency translation adjustments	$ (477)	$ (670)
Unrealized (losses) gains on cash flow hedges	(5,875)	257
Share of changes in comprehensive income recognized by associates	(6)	(291)
	$ (6,358)	$ (704)

24. COMMITMENTS AND CONTINGENCIES

The following significant commitments and contingencies exist at December 31, 2012:

a) CIC has committed to provide $11.4 million (2011 - $63.7 million) in loans and equity for investment in Saskatchewan business.

b) The Corporation has entered into power purchase agreements that provide approximately 591 MW of generating capacity. Certain take-or-pay power purchase agreements have been classified as finance leases as disclosed in Note 18. The Corporation has negotiated other power purchase agreements which also will be classified as finance leases upon commissioning of the related generating facilities. The expected future minimum lease payments related to these power purchase agreements is expected to be $2,529.6 million until 2033 (2011 - $2,529.7 million until 2033).

c) At 2012 prices, CIC has forward commitments of $1,030.5 million (2011 - $1,086.5 million) extending until 2022 for future minimum coal deliveries.

d) As at December 31, 2012, CIC has committed to spend $1,614.3 million (2011 - $1,334.7 million) on capital projects.

e) CIC has issued letters of credit in the amount of $17.8 million (2011 - $21.9 million).

f) CIC has entered into contracts to purchase natural gas expected to cost $817.2 million (2011 - $341.3 million) based on forward market prices until 2022. This includes fixed price forward contracts with a notional value of $810.6 million (2011 - $324.3 million) which will be used in CIC's operations.

g) Through the Energy Performance Contracting (EPC) Program, CIC has guaranteed $25.6 million (2011 - $22.0 million) of energy savings to various customers. The EPC Program is a comprehensive facility improvement initiative designed to enhance the facilities of the customer while permanently reducing utility costs. These guarantees are offset by third party guarantees to CIC that ensure the energy savings are realized.

h) As at December 31, 2012, CIC has committed to electricity and natural gas trading sales of $51.9 million (2011 - $13.9 million) and electricity trading and transmission purchases of $103.4 million (2011 - $52.2 million). These contracts are considered derivative financial instruments and changes in fair value have been included in net earnings.

i) Subject to certain conditions, CIC has agreed to make annual payments of $2.6 million to the Regina Exhibition Association until 2027 and $0.4 million to the Moose Jaw Exhibition Company Ltd. until 2028, as compensation for the loss of gaming income caused by the operation of Casino Regina and Casino Moose Jaw respectively.

j) CIC has outstanding service contract commitments of $169.0 million (2011 - $221.7 million).

k) The Corporation has committed to provide $66.9 million (2011 - $9.3 million) to builders and developers as part of the Headstart on a Home program.

l) On August 9, 2004, a proceeding under the *Class Actions Act* (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning system administration fees. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, Plaintiffs' counsel in other provincial jurisdictions. On July 18, 2006, the Saskatchewan court declined to certify the action as a class action, but granted the Plaintiffs leave to renew their application in order to further address certain statutory requirements respecting class actions. The Plaintiffs renewed their application for certification and the renewed application was heard in June of 2007. On September 17, 2007, the Saskatchewan court certified the Plaintiff's proceeding as a class action with

24. COMMITMENTS AND CONTINGENCIES *(continued)*

respect to an allegation of unjust enrichment only for wireless customers during the period of April 1, 1987 and the date of the certification order being February 13, 2008. The Corporation continues to believe that it has strong defenses to the allegations and that legal errors were made by the court in the certification proceeding. The Corporation was granted leave to appeal the certification decision in this matter to the Court of Appeal on March 15, 2010. The appeal itself was heard on December 13 and 14, 2010. On November 15, 2011, the Court of Appeal released its decision dismissing the appeal of the Corporation from the certification order. A subsequent application for leave to appeal to the Supreme Court of Canada was dismissed in June 2012. The matter will now proceed in the usual fashion of finalized pleadings, document and oral discovery to trial. The Corporation is finalizing its formal Statement of Defense to the claim and continues to believe that it has strong defenses to the allegations as certified in the 2004 action.

On July 24, 2009, a second proceeding under the *Class Actions Act* (Saskatchewan) was issued against several Canadian wireless and cellular service providers, including the Corporation. The Corporation believes this second claim involves substantially the same allegations as the 2004 claim that was heard before the Saskatchewan Court of Appeal in December 2010. On December 7 and 8, 2009, the Court of Queen's Bench heard motions by the Defendants, including the Corporation, that the second action commenced by the Plaintiffs in July 2009 should be permanently stayed (prevented from proceeding in any manner) as an abuse of the process of the Court, given the existence of the 2004 action. A decision by the Court of Queen's Bench on the Defendant's abuse of process motion was issued December 23, 2009. This second action has been conditionally stayed as an abuse of process without prejudice to the plaintiff to pursue their claims in the future if circumstances change. The Corporation believes that it has strong defenses to the allegations contained in the most recent 2009 claim.

m) On June 26, 2008, a proceeding under the *Class Actions Act* (Saskatchewan) was brought against several Canadian wireline, wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireline and wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning fees and charges paid for 9-1-1 service. The Plaintiffs seek unquantified damages from the defendant communications service providers. Thus far the claim has simply been issued by the Plaintiffs. The Corporation is not aware whether all the named defendant carriers have been served with the claim yet. The Corporation believes that it has strong defenses to the claim and will be defending it. External legal counsel has been retained by the Corporation to handle this matter.

In September 2011, the Corporation was served with a second 9-1-1 Class Action claim substantially the same as the 2008 Saskatchewan action noted above. This second claim was issued in Alberta in August 2008 but not served on the Corporation until more than 3 years later. The Corporation believes that it has strong defenses to the claim and will be defending it. External legal counsel has been retained. Currently, the Corporation is not aware of any further proceedings being taken in this second action beyond service for the claim.

n) In November 2011, the Corporation was served with two proposed Class Action claims, one issued in Saskatchewan and one issued in Alberta. The claims substantially overlap and name the major wireless carriers in Canada, including the Corporation, and Research in Motion as defendants. The proposed claims seek compensation related to Blackberry service issues alleged to have occurred in October 2011. The Corporation has retained external counsel for these matters. The Corporation believes that it has strong defenses to the claim and will be defending it. Currently, the Corporation is not aware of any further proceedings being taken in this second action beyond service of the claim.

o) Five statements of claim have been filed against the Corporation in relation to a home explosion and other incidents during 2011 in Regina, Saskatchewan, arising from two separate gas leaks on two separate occasions. The Corporation has filed statements of defense, cross claims and third party claims; however these claims remain at an early stage and at this time the Corporation does not expect the outcome to result in any material financial impact.

24. COMMITMENTS AND CONTINGENCIES *(continued)*

p) CIC has various legal matters pending which, in the opinion of management, will not have a material effect on CIC's consolidated financial position or results of operations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to CIC's financial position or results of operations could result.

25. DEPRECIATION AND AMORTIZATION

(thousands of dollars)

	Note	2012	2011
Property, plant and equipment	11	$ 542,343	$ 504,791
Intangible assets	13	51,971	39,937
Investment property	12	7,372	5,488
		$ 601,686	$ 550,216

26. IMPAIRMENT LOSSES

(thousands of dollars)

	Note	2012	2011
Impairment losses on investments		$ 15,262	$ 17,683
Impairment losses on investment property	12	-	691
		$ 15,262	$ 18,374

27. SASKATCHEWAN TAXES AND FEES

(thousands of dollars)

	2012	2011
Saskatchewan capital tax	$ 52,083	$ 47,114
Grants in lieu of taxes to municipalities	32,966	33,127
Gaming fees	26,311	25,867
Insurance premium tax	18,106	17,117
Other	2,671	2,802
	$ 132,137	$ 126,027

28. FINANCE INCOME AND EXPENSES

(thousands of dollars)

	Note	2012	2011
Recognized in consolidated net earnings			
Sinking fund earnings	6(b)	$ 32,454	$ 36,015
Gain on sale of investments at fair value through profit or loss		2,143	10,906
Change in fair value of financial assets at fair value through profit or loss		15,019	20,169
Interest income from investments at fair value through profit or loss		19,479	21,246
Other		16,125	15,853
Finance income		85,220	104,189
Interest expense on financial liabilities measured at amortized cost		332,219	304,098
Change in fair value of financial assets at fair value through profit or loss		14,495	19,238
Accretion expense on provisions	17	8,339	5,827
Interest capitalized[1]		(38,534)	(21,741)
Other		1,849	489
Finance expenses		318,368	307,911
Net finance expenses		$ 233,148	$ 203,722
Recognized directly in equity			
Foreign currency translation adjustments		$ 193	$ 436
Unrealized loss on cash flow hedges		(6,132)	(118)
Finance (expenses) income recognized directly in equity and attributable to Province of Saskatchewan		$ (5,939)	$ 318

[1] The weighted average interest rate used to capitalize interest was 5.93 per cent at December 31, 2012 (2011 - 5.61 per cent).

29. CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of dollars)

	Note	2012	2011
Adjustments to reconcile net earnings to cash from operating activities			
Depreciation and amortization	25	$ 601,686	$ 550,216
Share of net earnings from equity accounted investees	10	(19,408)	(10,437)
Gain from discontinued operations		-	(30,802)
Net loss on sale of equity accounted investees	10(d)	7,428	8,576
Defined benefit pension plan income	20	(16,801)	(9,027)
Provision for (recovery of) decommissioning and environmental remediation liabilities	17	2,977	(38,783)
Unrealized (gains) losses on derivative financial instruments	7(b)	(30,188)	31,742
Inventory (recoveries) write-downs	9	(22,780)	33,057
Loss on disposal of property, plant and equipment		24,221	7,165
Impairment losses	26	15,262	18,374
Net finance expenses	28	233,148	203,722
Other non-cash items		5,282	13,813
		$ 800,827	$ 777,616

30. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). CIC has elected to take a partial exemption under IAS 24 - *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

CIC pays Saskatchewan provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

Key management personnel compensation

In addition to salaries, CIC provides non-cash benefits to key management personnel, defined as the Board of Directors of each of its subsidiaries, as well as the President and Vice-Presidents of CIC and each of its subsidiaries.

Key management personnel compensation is comprised of:
(thousands of dollars)

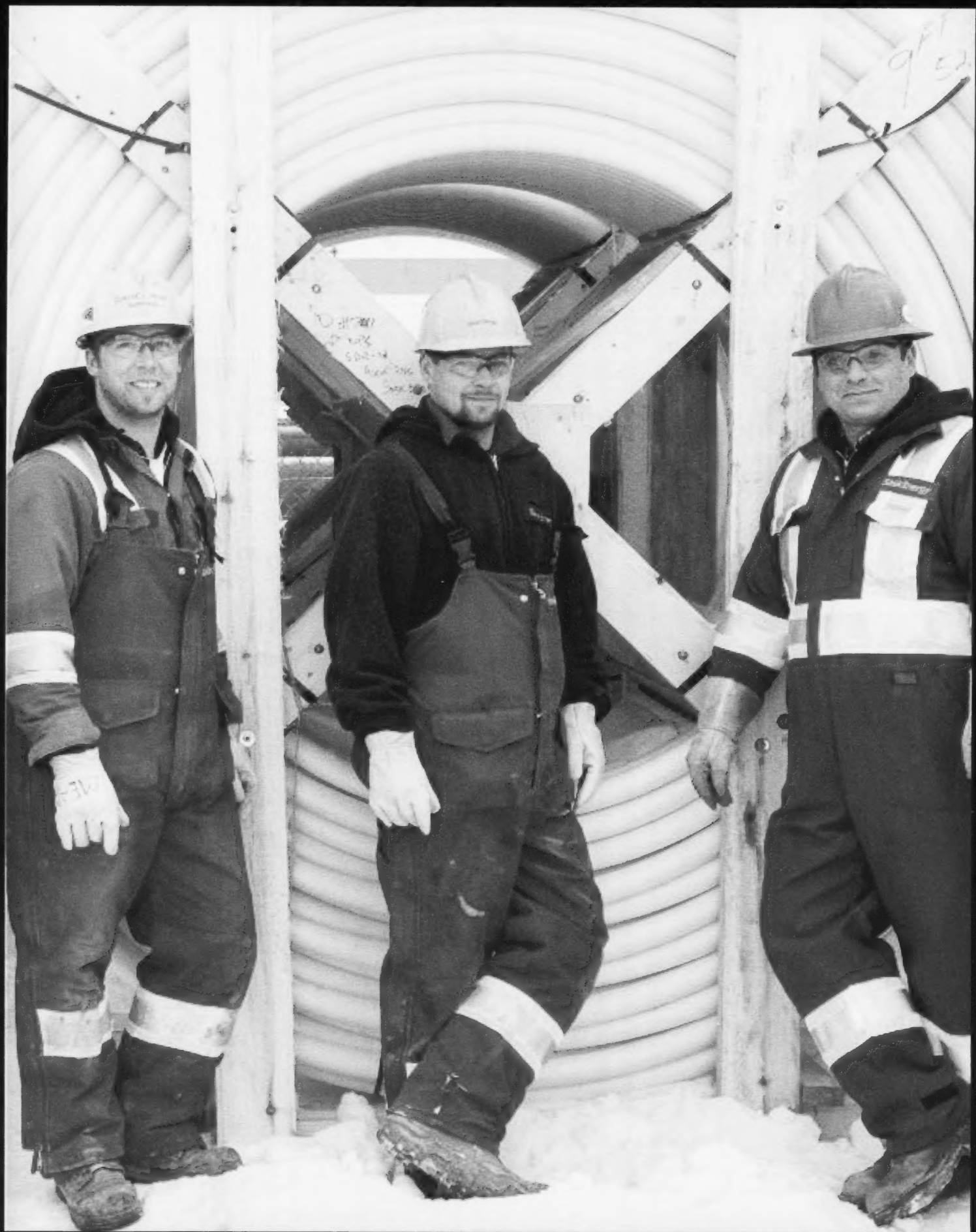
	2012	2011
Salaries, wages and short-term employee benefits	$ 21,398	$ 21,005
Employee future benefits	1,297	1,236
Other	34	8
	$ 22,729	$ 22,249

31. SUBSEQUENT EVENT

On January 22, 2013, the Corporation made an equity repayment to the GRF of $143.0 million.

32. COMPARATIVE FIGURES

Certain of the 2011 comparative figures have been reclassified to conform to the current year's presentation.



CIC Separate

The Crowns are balancing the need for new investments with an ongoing emphasis on efficiency and partnering with the private sector to provide services and promote investment in the province.

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ANALYSIS OF FINANCIAL RESULTS

CIC's (the Corporation) separate financial statements are used to determine CIC's capacity to pay dividends to the Province's GRF. These separate financial statements isolate the Corporation's cash-flow, and capital and operating support for certain subsidiary Crown corporations. Inclusion of these financial statements in the Annual Report of CIC enhances accountability and the transparency of CIC's operations.

This narrative on CIC's separate 2012 financial results should be read in conjunction with the audited separate financial statements. For the purposes of this narrative on CIC's separate financial results, "CIC" refers to the holding company.

COMPARISON OF 2012 RESULTS WITH 2011 RESULTS

EARNINGS

The following table presents a five year comparison of CIC's financial results:
(millions of dollars)

	2012	2011	2010	2009[1]	2008[1]
Dividend revenues from subsidiary corporations	**$ 346.4**	$ 213.9	$ 276.1	$ 258.1	$ 773.4
Add: Finance and other revenue	**4.5**	5.1	4.9	12.7	26.4
Grant funding from GRF	**-**	100.3	109.9	27.8	2.1
Less: Operating, salaries and other administrative expenses	**(15.4)**	(15.7)	(14.2)	(18.6)	(22.1)
Grants to subsidiary corporations	**(21.5)**	(136.5)	(140.7)	(103.3)	(30.5)
Total Separate Earnings	**$ 314.0**	$ 167.1	$ 236.0	$ 176.7	$ 749.3

[1] Amounts for 2009 and 2008 were prepared under former Canadian Generally Accepted Accounting Principles.

Earnings for 2012 were $314.0 million (2011 - $167.1 million), an increase of $146.9 million from 2011. The increase in earnings is primarily a result of an increase in dividend revenue of $132.5 million, a decrease in grant funding to subsidiary corporations of $115.0 million and a decrease in operating, salaries and other administrative expenses of $0.3 million. The increases in earnings were offset by a decrease in grant funding from the GRF of $100.3 million and a decrease in finance and other revenue of $0.6 million.

DIVIDEND REVENUE

CIC's revenue is comprised of dividends from subsidiary Crown corporations and revenue from investments. Dividends from subsidiary Crown corporations are the primary determinant in CIC's ability to pay regular dividends to the GRF.

Revenues are influenced by weather as follows:

- Demand for electricity and natural gas increases during cold weather, impacting earnings at SaskPower and SaskEnergy;
- Accident and other insurance claims at SGI are impacted by winter driving conditions and the summer storm season; and
- Water run-off levels impact SaskPower's capacity to generate hydro-electricity at a much lower cost compared to natural gas and coal generation.

DIVIDEND REVENUE *(continued)*

Dividend revenue in 2012 increased $132.5 million to $346.4 million. A five year history on revenue by contribution source is as follows:

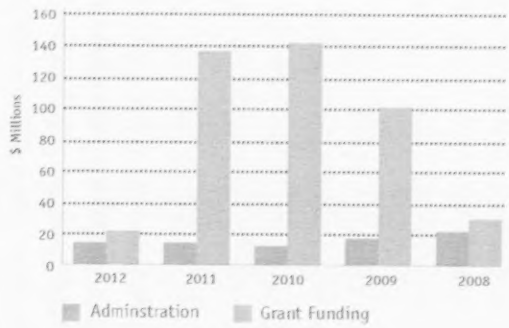
Dividend Revenue
(millions of dollars)

	2012	2011	2010	2009	2008
Dividend revenue					
SaskPower	$ 120.0	$ -	$ -	$ -	$ 46.0
SaskTel	84.3	138.6	139.7	103.2	78.9
SaskEnergy	27.2	39.1	48.8	51.3	42.9
SGI	52.0	-	43.5	34.0	26.2
CIC AMI	15.0	-	-	34.0	543.0
ISC	19.1	15.5	14.0	13.6	21.1
SGC	21.0	20.7	19.4	20.3	15.3
CIC Apex Equity Holdco Ltd.	5.0	-	-	-	-
SOCO	2.8	-	9.0	-	-
SDFC	-	-	1.7	-	-
SGGF MC	-	-	-	1.7	-
Total Dividend Revenue	$ 346.4	$ 213.9	$ 276.1	$ 258.1	$ 773.4

- SaskPower paid a dividend of $120.0 million in 2012. SaskPower's dividend was based on exceptional earnings in 2011 of $248.0 million. SaskPower's dividend was suspended from 2009 to 2011 in order to support SaskPower's significant capital program. SaskPower is not expected to pay a dividend to CIC in 2013.
- SaskTel's dividend of $84.3 million decreased by $54.3 million from its 2011 dividend of $138.6 million. The decrease was due to a decrease in dividend rates to 65.0 per cent of earnings in 2012 from 90.0 per cent in 2011, combined with lower earnings in 2012 as compared with 2011.
- SaskEnergy's 2012 dividend of $27.2 million decreased $11.9 million from $39.1 million in 2011. The reduction is due mainly to a reduction in SaskEnergy's target dividend from 50.0 per cent to 38.0 per cent of earnings before unrealized market value adjustments.
- SGI paid a dividend of $52.0 million in 2012 as compared to Nil in 2011 due to increased earnings in 2012. SGI's 2012 dividend reflects strong underwriting results combined with strong investment returns. 2011 earnings of $0.4 million reflected losses from summer storm claims and below average investment performance due to weak equity markets.
- CIC AMI paid a dividend of $15.0 million as compared to Nil in 2011. CIC AMI's dividend is based on cash flow availability and CIC's cash requirements.
- ISC's 2012 dividend of $19.1 million increased $3.6 million from $15.5 million in 2011. The increase was due primarily to increased revenues in the Land Registry and Saskatchewan Personal Property Registry resulting from the strong Saskatchewan economy.
- SGC's 2012 dividend of $21.0 million increased $0.3 million from $20.7 million in 2011.
- SOCO paid a dividend of $2.8 million in 2012 compared to Nil in 2011. During the 2012 business planning cycle, CIC determined that SOCO was in a position to begin paying regular dividends to CIC. As a result, CIC applied its dividend policy to SOCO at a rate of 65.0 per cent of earnings. CIC expects SOCO to remain in a position to pay dividends in the future.

OPERATING, SALARIES AND BENEFITS AND GRANTS TO SUBSIDIARY CORPORATIONS

CIC's expenses are divided into two main categories: administrative and grants to subsidiary corporations. The adjacent chart shows CIC's expenses by category. Total expenses in 2012 of $36.9 million were $115.3 million lower than the 2011 total of $152.2 million.



OPERATING, SALARIES AND BENEFITS AND OTHER ADMINISTRATIVE EXPENSES

Operating, salaries and benefits and other administrative expenses decreased by $0.3 million during 2012 to $15.4 million. During the year, the Corporation experienced an increase in salaries, benefits and operating costs of $1.7 million, however did not experience any investment impairment losses. Overall decrease in expenses from the previous year relates to an impairment loss recorded on First Nation and Métis Fund Inc. of $2.0 million in 2011.

GRANTS TO SUBSIDIARY CORPORATIONS

CIC's grant funding to subsidiary corporations of $21.5 million (2011 - $136.5 million) decreased by $115.0 million over 2011. CIC's grant funding is as follows:

- CIC provided SaskEnergy with $9.8 million (2011 - $12.2 million) as part of the Saskatchewan Energy Share program (EnerGuide for Houses).
- CIC grant funding to STC of $11.5 million increased from $10.7 million in 2011. Funding for 2012 was comprised of $9.2 million (2011 - $8.7 million) for operations and $2.3 million (2011 - $2.0 million) to meet capital requirements.
- Gradworks Inc. received $0.2 million in grants in 2012 (2011 - $0.4 million) to fund its internship program.
- In 2011, CIC completed funding for SaskPower's carbon capture and storage initiative ($100.3 million), SaskTel's Saskatchewan Rural Infrastructure program ($10.0 million) and SGI's hybrid vehicle rebate program ($3.0 million).

OPERATING, INVESTING AND FINANCING ACTIVITIES

(millions of dollars)

	2012	2011
Cash Flow Highlights		
Cash from operations	$ 288.5	$ 150.2
Cash provided by investing activities	20.5	62.6
Cash used in financing activities	(280.1)	(228.7)
Change in Cash	$ 28.9	$ (15.9)

Cash from operations in 2012 of $288.5 million increased from 2011 by $138.3 million. The increase was due mainly to increased dividend revenue in 2012 as compared with 2011, offset by an increase in non-cash working capital balances related to operations.

OPERATING, INVESTING AND FINANCING ACTIVITIES *(continued)*

In 2012, investing activities provided $20.5 million in cash (2011 - $62.6 million) a decrease of $42.1 million. Cash provided by investing activities was mainly influenced by repayments of amounts owing from CIC Apex Equity Holdco Ltd. of $21.4 million and receipt of $8.8 million from Saskatchewan Gaming Corporation as a repayment of equity. These cash proceeds were offset by purchases of investments and short-term investments. 2011 results were mainly affected by a decrease in restricted cash and cash equivalents of $110.5 million offset by purchases of investments and short-term investments.

Cash used in financing activities was $280.1 million as compared to $228.7 million in 2011. In 2012, CIC declared and paid a regular dividend to the GRF of $150.0 million, a special dividend for provincial flood-relief programs of $120.0 million, a special dividend for SOCO's asset transfer of $7.1 million and a $3.0 million dividend for the Innovation Agenda for a total of $280.1 million to the GRF. In 2011, CIC paid a dividend to the GRF of $128.5 million and provided the remaining funding to SaskPower of $100.2 million for the carbon capture and storage initiative.

PUBLIC POLICY INITIATIVES

CIC ECONOMIC HOLDCO LTD. (SASKATCHEWAN ENTREPRENEURIAL FUND JOINT VENTURE)

CIC Economic Holdco Ltd. was established to hold a joint venture interest in Saskatchewan Entrepreneurial Fund Joint Venture (SEFJV). SEFJV operates as an institutional investment fund focusing on investment in the Province of Saskatchewan and the creation of employment and economic growth and expansion of the small business sector. To December 31, 2012, CIC had invested $3.2 million. The CIC Board has discontinued further capital contributions to SEFJV.

FIRST NATIONS AND MÉTIS FUND INC. (FNMF)

First Nations and Métis Fund Inc. was established to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan. CIC has committed to invest up to $20.0 million. In 2011, FNMF became responsible for the Government of Saskatchewan's First Nations Business Development Program (FNBDP). FNBDP can invest up to $3.0 million in qualifying First Nations businesses. To December 31, 2012, CIC had invested $8.6 million and committed to fund four additional investments totaling $9.6 million in 2013. Any further commitment to FNMF will be restricted to additional funding for existing investments and administrative support.

CIC APEX EQUITY HOLDCO LTD. (APEX INVESTMENT LIMITED PARTNERSHIP)

CIC Apex Equity Holdco Ltd. was established to hold a joint venture interest in Apex Investment Limited Partnership (Apex). On June 25, 2012, CIC, through its wholly-owned subsidiary CIC Apex Equity Holdco Ltd., sold its investment in Apex for proceeds of $24.2 million. The proceeds repaid CIC Apex Equity Holdco Ltd. amounts due to CIC of $19.2 million. The remaining $5.0 million was paid to CIC by redemption of shares and a dividend.

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC. (SIIF)

Saskatchewan Immigrant Investor Fund Inc. was established to participate in the Government of Canada's Immigrant Investor Program (IIP). The Corporation uses IIP funds to deliver the Government of Saskatchewan's Headstart on a Home program that assists builders and developers in building affordable housing in Saskatchewan. At December 31, 2012, SIIF had approved loans of approximately $110.0 million in support of creating 712 homes of which 416 are completed or currently under construction.

GRADWORKS INC. (GRADWORKS)

Gradworks internship program provides recent post-secondary graduates with internships in CIC Crown corporations, providing the graduates job opportunities and valuable work experience that may lead to permanent jobs in the Crowns, or with other Saskatchewan employers. In 2012, CIC provided grant funding of $0.2 million (2011 - $0.4 million) for the administration of Gradworks.

COMPARISON OF 2012 RESULTS WITH BUDGET

(millions of dollars)

	2012 Dividend Revenue Budget	2012 Dividend Revenue Actual	Budgeted Dividend (%) of Earnings
Dividends to CIC			
SaskPower[1]	$ 120.0	$ 120.0	N/A
SaskTel	59.2	84.3	65%
SGI	6.9	52.0	20%
SaskEnergy[2]	25.0	27.2	38%
SGC	20.8	21.0	80%
ISC	12.5	19.1	90%
CIC AMI	70.0	15.0	N/A
CIC Apex Equity Holdco Ltd.	-	5.0	N/A
SOCO	2.6	2.8	65%
Total Dividend Revenue	317.0	346.4	
Grants to subsidiary corporations	(20.1)	(21.5)	
Expenses net of other income	(19.0)	(10.9)	
Separate Earnings	$ 277.9	$ 314.0	
Dividend to the GRF	$ 273.0	$ 280.1	

[1] Exceptional earnings at SaskPower in 2011 resulted in a dividend of $120.0 million in 2012.

[2] Dividends for SaskEnergy are based on earnings from operations before the impacts of fair value adjustments (referred to as operating income).

EARNINGS

Separate earnings for 2012 of $314.0 million were $36.1 million higher than budget. The earnings exceeded budget primarily due to higher than budgeted dividend revenue of $29.4 million and lower than budgeted expenditures of $8.1 million offset by higher than budgeted grant funding of $1.4 million.

DIVIDEND REVENUE

Dividend revenue is directly proportionate to Crown earnings. The following outlines variances in dividends from Crown corporations:

- SaskPower dividends were on target with budget.
- SaskTel dividends were higher than budget as a result of operating revenues being higher than budget. The increase was primarily due to higher than anticipated wireless customers, increased data, long distance and access usage combined with lower operating and net finance expenses.
- SaskEnergy dividends were higher than budget due to higher realized margins on natural gas sales.
- SGI dividends were higher than budget due to higher investment returns, lower claims costs and a lower number of large property losses outside Saskatchewan. During the year, SGI reached their targeted financial structure and dividends were increased to 55.0 per cent of earnings.
- ISC dividends were higher than budget primarily due to increased revenues in the Land Registry, Saskatchewan Personal Property Registry and Corporate Registry resulting from a strong economy.
- SGC dividends were on target with budget.
- CIC AMI dividends were lower than budget. Distributions to CIC depend on cash availability and CIC cash requirements. During 2012, dividends of $15.0 million were paid to CIC.
- SOCO dividends were on target with budget.
- CIC Apex Equity Holdco Ltd. dividend for 2012 was not budgeted in 2012. On June 25, 2012, CIC sold its investment in Apex for proceeds of $24.2 million, of which $19.2 million repaid amounts due to CIC and $5.0 million was available to CIC by way of dividend.

COMPARISON OF 2012 RESULTS WITH BUDGET *(continued)*

GRANTS TO SUBSIDIARY CORPORATIONS

CIC's grant funding to subsidiary Crown corporations was higher than budget by $1.4 million. This increase is primarily due to higher than budgeted grants of $1.7 million to SaskEnergy in support of the EnerGuide for Houses program. The increase was offset by lower than budgeted grants of $0.3 million to Gradworks in support of the internship program.

DIVIDEND TO THE GRF

In 2012, CIC declared and paid dividends to the GRF of $280.1 million (2011 - $128.5 million). CIC's dividends included the budgeted dividend of $150.0 million, a special dividend of $120.0 million to help fund provincial flood-relief programs, a special dividend of $7.1 million for SOCO's asset transfer, and a special dividend of $3.0 million to support the Innovation Agenda.

EXPENSES

Expenses net of other income were $10.9 million or $8.1 million below budget. The decrease is primarily due to the discontinuation of CIC's Crown Sector Initiatives Division in 2012.

ENTERPRISE RISK MANAGEMENT (ERM)

Successful execution of CIC's corporate strategy and achievement of the business plan requires an understanding of the associated risks within the environment in which the Corporation operates. Risk for CIC is defined as the uncertainty of future events that could negatively affect the achievement of the Corporation's goals which could result in financial loss, or an event that could damage CIC's reputation. Risks are measured in terms of likelihood of occurrence and severity of the occurrence.

The Corporation identified four main categories within our risk management framework: financial, mandate, legal compliance and reporting, and reputational. A risk may affect one or all categories. In order to understand risks associated with the Corporation, CIC risk management staff interviews all senior management. The interviews establish business risks inherent to the Corporation and establish what, if any, mitigating controls exist to reduce the inherent risk.

After identification of risks and establishment of the controls and mitigating factors, risk registers are updated. The risk register ranks risks based on likelihood of occurrence and severity of the occurrence once mitigating controls are taken into account.

Once established the executive and CIC Board can decide to accept, further mitigate, transfer, or avoid the risk. In cases where risks are low, the CIC Board could decide to discontinue any further mitigation of the risk and continue to monitor the risk area.

CIC'S RISK ASSESSMENT STRATEGY

ENTERPRISE RISK MANAGEMENT (ERM) *(continued)*

RISK OVERVIEW

The Corporation ranks the ten most significant risks on its risk register. The Corporation has determined the following three risks are the most significant:

1. **Inability to attract and retain employees.**
   The competitive marketplace for qualified staff may result in inability for the Corporation to attract and retain the appropriate staff. The Corporation mitigates this risk through periodic job evaluation and market compensation analysis to ensure staff is appropriately compensated, as well as providing job performance assessments to ensure staff is aware of their performance on a timely basis. The Corporation believes the mitigation is appropriate and has accepted the risk and will continue to monitor.

2. **Inability to achieve financial stability and sufficient returns to the Province.**
   The Corporation provides dividends to the GRF. Risks exist that policy and financial decisions made by CIC and/or its subsidiary corporations, will impact CIC's ability to provide dividends to the GRF. The Corporation mitigates risk through approval of subsidiary business plans, regular quarterly reporting and forecasting, policies over investing activities and oversight of subsidiary corporations by independent boards. The Corporation is reviewing other policies and procedures to further mitigate this risk.

3. **Environmental changes whether political, policy, weather or economic, will result in financial or human capacity issues.**
   Changes in the external environment and government direction could result in insufficient financial and human capacity. The Corporation mitigates the risk by incorporating direction into its annual strategic plan and budget presented to its Board. The President of CIC meets regularly with the Premier's Chief of Staff, the Saskatchewan Deputy Minister of Finance and the CIC subsidiary Board Chairs to ensure direction from Government is well understood and accepted. The Corporation believes that the mitigation is appropriate and has accepted the risk and will continue to monitor.

KEY FACTORS AFFECTING FINANCIAL PERFORMANCE

EARNINGS OF CROWN CORPORATIONS

- The key factor affecting CIC's earnings is the level of dividends from commercial subsidiary Crown corporations.
- Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's Subsidiary Dividend Policy. The CIC Board determines dividends from a subsidiary Crown corporation after allocating cash for reinvestment in infrastructure and consideration of the financial sustainability of the subsidiary Crown.

INVESTMENT VALUES

- CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges the investment to have other than a temporary decline in carrying value.

LOOKING AHEAD TO 2013

CIC's key financial initiatives for 2013 include:

- Continue to improve Saskatchewan's Crown corporation infrastructure to meet the needs of both residents and commercial operations;
- Continue support for public expenditures including:
  - Funding STC bus routes;
  - Supporting SaskEnergy's EnerGuide for Houses;
  - Funding youth initiatives such as Gradworks; and
  - Providing capital to fund specified economic initiatives;
- Continue to provide a return to the shareholder;
- Continue to provide a lead role in the potential sale of part of CIC's subsidiary Information Services Corporation. In the fall of 2012, the Government of Saskatchewan introduced *The Information Services Corporation Act* that if passed in the spring legislative sitting, would allow for the sale of approximately 60.0 per cent of CIC's ownership;
- Participate in the Government of Canada's Immigrant Investor Program by delivering the Government of Saskatchewan's Headstart on a Home program that assists builders and developers in building affordable housing in Saskatchewan;
- Continue the wind-down of CIC AMI's operations, with a primary focus on prudently managing the existing portfolio and selling remaining assets in an orderly manner;
- Enhance accountability through a sector wide Enterprise Risk Management framework; and
- Continue to monitor new developments in financial reporting and governance, ensuring that CIC is a leader in its reporting and accountability practices.

CIC CROWN CORPORATIONS 2013 BUDGET

(millions of dollars)

	Earnings	Dividend	Dividend % of Crown Earnings
SaskPower	$ 126.1	$ -	-
SaskTel	93.8	84.4	90%
SaskEnergy	72.4	27.5	38%
SGI	36.5	23.7	65%
SGC	26.4	21.1	80%
SOCO	4.3	2.8	65%
CIC AMI	4.1	35.0	N/A
SaskWater	4.0	-	-
SIIF	0.1	-	-
STC	(0.3)	-	-
CIC (separate), Other, Adjustments	57.3	13.6	-
Consolidated Earnings	**$ 424.7**	**$ 208.1**	
Dividend to the GRF	**$ 316.6**		

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying separate financial statements have been prepared by management of Crown Investments Corporation of Saskatchewan to illustrate the financial position and results of operations and cash flows of the corporate entity only. They have been prepared, without consolidation, in accordance with the basis of accounting described in Note 2 and Note 3 to the financial statements, and consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the separate financial statements, the notes to the separate financial statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the separate financial statements. The Board of Directors is responsible for reviewing the annual separate financial statements and meeting with management, KPMG LLP and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the separate financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG LLP has audited the separate financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the separate financial statements, appears opposite.

R.W. (Dick) Carter, FCA
President & CEO

Blair Swystun, CFA
Senior Vice-President & CFO

March 27, 2013

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying separate financial statements of **Crown Investments Corporation of Saskatchewan**, which comprise the separate statement of financial position as at December 31, 2012, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These separate financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan.

Management's Responsibility for the Separate Financial Statements
Management is responsible for the preparation and fair presentation of these separate financial statements and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Crown Investments Corporation of Saskatchewan as at December 31, 2012, and its separate financial performance and its separate cash flows for the year then ended in accordance with the basis of accounting described in Note 2 and Note 3 to the separate financial statements.

Basis for accounting and restriction on use
Without modifying our opinion, we draw attention to Note 2 and Note 3 to the separate financial statements which describes the basis of accounting. The separate financial statements are prepared for the purpose of tabling with the Legislative Assembly of Saskatchewan. As a result, the separate financial statements may not be suitable for another purpose. Our report is intended solely for the Legislative Assembly of Saskatchewan and Crown Investments Corporation of Saskatchewan and should not be used by parties other than the Legislative Assembly of Saskatchewan and Crown Investments Corporation of Saskatchewan.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 27, 2013

SEPARATE STATEMENT OF FINANCIAL POSITION

As at December 31

(thousands of dollars)

	Note	2012	2011
ASSETS			
Current			
Cash and cash equivalents	5	$ 173,836	$ 144,877
Short-term investments	6	208,575	203,719
Interest and accounts receivable		1,667	2,168
Dividends receivable		87,764	65,171
		471,842	415,935
Equity advances to Crown corporations	7	1,194,918	1,203,723
Investments in share capital corporations	8	89,855	102,346
Equipment	9	387	422
Intangible assets		-	486
		$ 1,757,002	$ 1,722,912
LIABILITIES AND PROVINCE'S EQUITY			
Current			
Interest and accounts payable		$ 2,843	$ 2,682
Province of Saskatchewan's Equity			
Equity advances	10	1,051,839	1,051,839
Retained earnings		702,320	668,391
		1,754,159	1,720,230
		$ 1,757,002	$ 1,722,912
Commitments and contingencies (See accompanying notes)	11		

On behalf of the Board:

Director

Director

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31

(thousands of dollars)

	Note	2012	2011
INCOME FROM OPERATIONS			
Dividend revenue	12	$ 346,402	$ 213,931
Other income		153	127
		346,555	214,058
EXPENSES			
Operating		6,904	6,210
Salaries and short-term employee benefits		7,332	6,746
Employee future benefits		530	545
Impairment loss		-	2,000
Depreciation and amortization		609	165
		15,375	15,666
EARNINGS FROM OPERATIONS		331,180	198,392
Finance income	13	4,275	4,968
Finance expenses	13	(9)	(9)
NET FINANCE INCOME		4,266	4,959
EARNINGS BEFORE PUBLIC POLICY INITIATIVES		335,446	203,351
Deferred grant funding earned	14	-	100,240
Grants to subsidiary corporations	15	(21,467)	(136,515)
NET EARNINGS		313,979	167,076
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		$ 313,979	$ 167,076

(See accompanying notes)

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31

(thousands of dollars)

	Note	2012	2011
RETAINED EARNINGS			
Retained earnings - beginning of year		$ 668,391	$ 629,815
Total comprehensive income		313,979	167,076
Dividend to General Revenue Fund	10	(280,050)	(128,500)
Retained earnings - end of year		702,320	668,391
EQUITY ADVANCES			
Equity advances - beginning of year		1,051,839	931,152
Equity advances received	10	-	120,687
Equity advances repaid	10	-	-
Equity advances - end of year		1,051,839	1,051,839
EQUITY ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		$ 1,754,159	$ 1,720,230

(See accompanying notes)

SEPARATE STATEMENT OF CASH FLOWS

For the Year Ended December 31

(thousands of dollars)

	Note	2012	2011
OPERATING ACTIVITIES			
Net earnings		$ 313,979	$ 167,076
Adjustments to reconcile net earnings to cash from operating activities:			
Amortization of discounts and premiums		117	1,563
Depreciation and amortization		609	165
Impairment loss		-	2,000
Net finance income		(4,266)	(4,959)
		310,439	165,845
Net change in non-cash working capital balances related to operations	16	(21,931)	(15,654)
Interest paid		(9)	(9)
Net cash from operating activities		288,499	150,182
INVESTING ACTIVITIES			
Interest received		4,275	4,968
Purchase of investments		(9,067)	(11,100)
Increase in short-term investments		(4,974)	(50,584)
Decrease in restricted cash and cash equivalents		-	110,505
Proceeds from retraction of equity advances	7(a)	8,805	7,000
Purchase of equipment and intangible assets		(88)	(127)
Repayment of due from CIC Economic Holdco Ltd.		172	590
Repayment of due from CIC Apex Equity Holdco Ltd.		21,387	1,372
Net cash from investing activities		20,510	62,624
FINANCING ACTIVITIES			
Decrease in deferred funding	14	-	(100,240)
Dividend paid	10	(280,050)	(128,500)
Net cash used in financing activities		(280,050)	(228,740)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR		28,959	(15,934)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		144,877	160,811
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 173,836	$ 144,877

(See accompanying notes)

1. GENERAL INFORMATION

Crown Investments Corporation of Saskatchewan (CIC) is a corporation domiciled in Canada. The address of CIC's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK, S4P 1C8. CIC was established to act as a holding corporation for the Province's commercial Crown sector. CIC develops broad corporate policy, directs investments for its subsidiaries and provides dividends to the Province's General Revenue Fund (GRF). A list of CIC's subsidiaries is contained in Note 4.

2. BASIS OF PREPARATION

a) Statement of compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The separate financial statements were authorized for issue by the Board of Directors on March 27, 2013.

b) Basis of measurement

The separate financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss.

c) Functional and presentation currency

These separate financial statements are presented in Canadian Dollars, which is CIC's functional currency.

d) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Significant items subject to estimates and assumptions include the carrying amounts of investments (Notes 7 and 8).

e) Use of judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements that affect the application of accounting policies. Significant items subject to judgement include the accounting policies listed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements.

CIC's separate financial statements do not consolidate the activities of its subsidiaries. Other than this exception, the accounting policies have been consistently applied by CIC's subsidiary corporations.

CIC prepares audited consolidated financial statements in accordance with IAS 27 - *Consolidated and Separate Financial Statements*. The audited consolidated financial statements have been authorized by the CIC Board of Directors on March 27, 2013. CIC's audited consolidated financial statements should be referenced for further information.

a) Cash and cash equivalents

Cash and cash equivalents includes the cash held within CIC's bank accounts and short-term investments that have a maturity date of ninety days or less.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Equity advances to Crown corporations

Crown corporations do not have share capital. However, seven Crown corporations have received equity advances from CIC to form their equity capitalization. The equity advances are accounted for at cost, and dividends from these corporations are recognized as income when declared.

c) Investments in share capital corporations

Investments in shares of corporations are accounted for at cost. Dividends from these investments are recognized as income when declared.

d) Impairment of equity in Crown corporations and share capital corporations

Investments in Crown corporations and share capital corporations are assessed at each reporting date to determine whether there is objective evidence that the investment is impaired. An investment is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the investment, and that the loss event had a negative effect on the estimated future cash flows of that investment that can be estimated reliably. An impairment loss is recognized through earnings if the carrying amount of the investment exceeds its recoverable amount.

If, in a subsequent year, the fair value of an impaired investment increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in earnings, then the impairment loss is reversed, with the amount of the reversal recognized through earnings.

e) Equipment

Equipment is recorded at cost less accumulated depreciation and any accumulated impairment losses. When these assets are disposed of or retired, the related costs less accumulated depreciation and any accumulated impairment losses are eliminated from the accounts. Any resulting gains or losses are reflected in the separate statement of comprehensive income.

Equipment is depreciated using the following methods:

Computer equipment	3 years straight-line
Furniture and equipment	20 per cent declining balance

f) Financial instruments

i) Non-derivative financial assets

CIC initially recognizes loans and receivables and deposits at fair value on the date that they originated. All other financial assets, including assets designated at fair value though profit or loss, are recognized initially at fair value on the trade date at which CIC becomes a party to the contractual provisions of the instrument.

CIC de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by CIC is recognized as a separate financial asset or liability.

CIC does not net financial assets or liabilities for presentation in the separate statement of financial position.

CIC non-derivative financial assets include financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if CIC manages such investments and makes purchase and sale decisions based on their fair value in

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Financial instruments *(continued)*

i) Non-derivative financial assets *(continued)*

Financial assets at fair value through profit or loss *(continued)*

accordance with CIC's documented risk strategy. Upon initial recognition transaction costs attributable are recognized in profit or loss as incurred. Cash and cash equivalents and short-term investments are measured at fair value through profit and loss, and changes therein are recognized through net earnings.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are comprised of interest and accounts receivable and dividends receivable.

ii) Non-derivative financial liabilities

CIC initially recognizes financial liabilities on the date they are originated. All other financial liabilities, including liabilities designated at fair value through profit or loss, are recognized initially on the trade date at which CIC becomes a party to the contractual provisions of the instrument.

CIC de-recognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

CIC does not net financial assets or liabilities for presentation in the separate statement of financial position.

CIC's non-derivative financial liabilities include interest and accounts payable.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

iii) Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not measured at fair value through profit or loss. These embedded derivatives are measured at fair value with subsequent changes recognized in net earnings.

CIC had no contracts with embedded derivatives as at December 31, 2011 and December 31, 2012.

g) Equity advances

CIC periodically receives funding from the Government of Saskatchewan through the GRF. Funding can be provided for one of two purposes, the funding of government policy initiatives for which no return is expected or required, or for long-term investment which is expected to provide a return to the GRF. Funding provided for government policy initiatives is recorded as revenue in the year spending occurs (Note 14). Funding provided for long-term investment is recorded as an equity advance (Note 10).

h) Revenue recognition

CIC's revenue is derived from the ownership of its subsidiary corporations. Dividend revenue from subsidiary corporations is recorded as income in the separate statement of comprehensive income when declared. Dividends received are classified as operating activities in accordance with IAS 7 - *Statement of Cash Flows*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Government grants

Government grants are recognized initially as deferred funding when there is reasonable assurance that they will be received and CIC will comply with the conditions associated with the grant. Grants that compensate CIC for expenses incurred are recognized in the separate statement of comprehensive income on a systematic basis in the same year in which the expenses are recognized.

j) Employee benefits

Defined contribution plan

CIC is a member of Capital Pension Plan (CPP), a defined contribution pension plan. A defined contribution plan is a post-employment benefit under which CIC pays fixed contributions to CPP and has no legal or constructive obligation to pay further amounts. Obligations for contributions to CPP are recognized as an employee future benefit expense in the separate statement of comprehensive income in the year during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

k) Finance income and expenses

Finance income is comprised of interest income from short-term investment holdings. Interest income is recognized as it accrues in the separate statement of comprehensive income, using the effective interest method. On the separate statement of cash flows interest income is recorded as an investing activity.

Finance expenses are comprised of bank and service charges. On the separate statement of cash flows interest expense is recorded as an operating activity.

l) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these separate financial statements.

IAS 27, *Separate Financial Statements*

IAS 27 was issued by the IASB on May 12, 2011, and will replace IAS 27, *Consolidated and Separate Financial Statements*. The standards are to be applied retrospectively, in most circumstances, and will be effective for annual periods beginning on or after January 1, 2013.

IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the entity prepares separate financial statements. CIC has determined that adoption of the standard will have no material impact on its separate financial statements.

4. STATUS OF CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CIC was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of *The Crown Corporations Act, 1993*. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes. Certain jointly controlled enterprises and subsidiaries are not provincial Crown corporations and are subject to federal and provincial income taxes.

4. STATUS OF CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN *(continued)*

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following wholly-owned Crown corporations have been designated or created by Order in Council:

- Information Services Corporation of Saskatchewan
- SaskEnergy Incorporated
- Saskatchewan Development Fund Corporation
- Saskatchewan Gaming Corporation
- Saskatchewan Government Insurance
- Saskatchewan Opportunities Corporation
- Saskatchewan Power Corporation
- Saskatchewan Telecommunications
- Saskatchewan Telecommunications Holding Corporation
- Saskatchewan Transportation Company
- Saskatchewan Water Corporation

In addition to the above Crown corporations, CIC is the sole member of Gradworks Inc., a non-profit corporation and the sole shareholder of CIC Asset Management Inc. (CIC AMI), First Nations and Métis Fund Inc. (FNMF), Saskatchewan Immigrant Investor Fund Inc. (SIIF), and CIC Economic Holdco Ltd. which are wholly-owned share capital subsidiaries.

All subsidiary Corporations are domiciled in Canada.

5. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are $170.0 million (2011 - $121.9 million) of short-term investments with an effective interest rate of 1.09 per cent (2011 - 1.31 per cent).

6. SHORT-TERM INVESTMENTS

Included in short-term investments are $208.4 million (2011 - $203.5 million) of investments maturing between 91 and 365 days with an effective interest rate of 1.16 per cent (2011 - 1.18 per cent). Also included in short-term investments are $0.1 million (2011 - $0.2 million) in a zero coupon bond with a maturity date of June 1, 2013. The zero coupon bond can be sold, at fair value, at the option of CIC.

7. EQUITY ADVANCES TO CROWN CORPORATIONS

Equity advances to Crown corporations are as follows:
(thousands of dollars)

	2012	2011
Saskatchewan Power Corporation	$ 660,000	$ 660,000
Saskatchewan Telecommunications Holding Corporation	250,000	250,000
Saskatchewan Opportunities Corporation	120,687	120,687
Saskatchewan Government Insurance	80,000	80,000
SaskEnergy Incorporated	71,531	71,531
Saskatchewan Water Corporation	8,700	8,700
Saskatchewan Gaming Corporation (a)	4,000	12,805
	$ 1,194,918	$ 1,203,723

a) During 2012, CIC retracted $8.8 million in equity advances (2011 - $7.0 million) from Saskatchewan Gaming Corporation.

8. INVESTMENTS IN SHARE CAPITAL CORPORATIONS

(thousands of dollars)

	Voting Percentage	2012	2011
CIC Asset Management Inc. (a):			
7,999,983 (2011 - 7,999,983) common shares	100%	$ 80,000	$ 80,000
First Nations and Métis Fund Inc. (FNMF) (b):			
100 (2011 - 100) Class A common shares	100%	-	-
Due from FNMF		8,600	6,100
Impairment in value of FNMF		(2,000)	(2,000)
		6,600	4,100
CIC Economic Holdco Ltd. (c):			
100 (2011 - 100) Class A common shares	100%	-	-
Due from CIC Economic Holdco Ltd.		3,255	3,427
		3,255	3,427
CIC Apex Equity Holdco Ltd. (d):			
Nil (2011 - 100) Class A common shares	-	-	-
Due from CIC Apex Equity Holdco Ltd.		-	14,819
		-	14,819
Saskatchewan Immigrant Investor Fund Inc. (e):			
1 (2011 - 1) Class A common share	100%	-	-
		$ 89,855	$ 102,346

a) CIC AMI was established on November 14, 1979 under *The Business Corporations Act (Saskatchewan)*. CIC AMI provides equity and loans to organizations that have significant operations in Saskatchewan.

b) FNMF was established on May 9, 2006 to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan. Due to losses accumulated from investments made by FNMF, CIC has recorded a $2.0 million (2011 - $2.0 million) provision against amounts due from FNMF which reflects CIC's current expectations of recovery of these amounts.

c) CIC, through its wholly-owned subsidiary, CIC Economic Holdco Ltd., entered into a joint venture agreement with Saskatchewan Entrepreneurial Fund Joint Venture (SEFJV). The SEFJV was established on April 24, 2006 to operate as an institutional investment fund focusing primarily on investment in Saskatchewan and the creation of employment and economic growth and expansion of the small business sector in Saskatchewan. CIC Economic Holdco Ltd. holds a 45.5 per cent (2011 - 45.5 per cent) joint venture interest in SEFJV.

At December 31, 2012, CIC Economic Holdco Ltd. had total assets of $3.3 million (2011 - $3.1 million) and recorded earnings of $0.3 million (2011 - loss of $0.1 million). CIC has invested $3.2 million (2011 - $3.4 million) in capital in SEFJV through CIC Economic Holdco Ltd.

8. INVESTMENTS IN SHARE CAPITAL CORPORATIONS *(continued)*

d) CIC, through its wholly-owned subsidiary, CIC Apex Equity Holdco Ltd., entered into a joint venture agreement with Apex Investment GP Inc., PFM Capital Inc., Conexus Credit Union 2006, Cornerstone Credit Union and Innovation Credit Union to establish Apex Investment Limited Partnership (Apex). Apex was established on February 1, 2007 to focus on debt and equity investments in Saskatchewan small and medium-sized business. The objective of Apex is to realize long-term capital appreciation from its investments.

On June 25, 2012, CIC, through its wholly-owned subsidiary CIC Apex Equity Holdco Ltd., sold its investment in Apex for proceeds of $24.2 million. The proceeds repaid CIC Apex Equity Holdco Ltd. amounts due to CIC of $19.2 million. The remaining $5.0 million was paid to CIC by redemption of shares and dividend (Note 12).

On August 28, 2012, CIC Apex Equity Holdco Ltd. was dissolved.

e) SIIF was established on October 6, 2010 under *The Business Corporations Act (Saskatchewan)*. SIIF was established to participate in the Government of Canada's Immigrant Investor Program (IIP). SIIF uses the IIP funds to deliver the Government of Saskatchewan's Headstart on a Home program that assists builders and developers in building affordable housing.

9. EQUIPMENT

(thousands of dollars)

	2012	2011
Cost		
Balance at January 1	$ 1,737	$ 1,714
Additions	88	127
Disposals	-	(104)
Balance at December 31	1,825	1,737
Accumulated depreciation		
Balance at January 1	1,315	1,280
Depreciation	123	139
Disposals	-	(104)
Balance at December 31	1,438	1,315
	$ 387	$ 422

10. EQUITY ADVANCES AND CAPITAL DISCLOSURES

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF. In 2012, CIC received Nil (2011 - $120.7 million) in equity advances from the GRF. Equity advances from the GRF have been invested in subsidiary Crown corporations. CIC, as a holding corporation for the Saskatchewan commercial Crown sector, does not carry any debt.

CIC's ability to pay regular dividends to the GRF depends mainly on the level of Crown corporation dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown corporation dividend levels depend on their net earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings. CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown corporation earnings.

For the year ending December 31, 2012, CIC declared and paid $280.1 million (2011 - $128.5 million) in dividends to the GRF.

11. COMMITMENTS AND CONTINGENCIES

The following significant commitments and contingencies exist at December 31, 2012:

a) CIC, as plan sponsor of Capital Pension Plan, has guaranteed the annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. CIC does not expect any exposure under this guarantee in 2013.

b) CIC has committed to invest up to $20.0 million in the FNMF. At December 31, 2012, CIC has invested $8.6 million (2011 - $6.1 million).

12. DIVIDEND REVENUE

(thousands of dollars)

	2012	2011
Saskatchewan Power Corporation	$ 120,000	$ -
Saskatchewan Telecommunications Holding Corporation	84,257	138,592
Saskatchewan Government Insurance	52,000	-
SaskEnergy Incorporated	27,236	39,150
Saskatchewan Gaming Corporation	21,049	20,693
Information Services Corporation	19,116	15,496
CIC Asset Management Inc.	15,000	-
Saskatchewan Opportunities Corporation	2,797	-
CIC Apex Equity Holdco Ltd.	4,947	-
	$ 346,402	$ 213,931

13. FINANCE INCOME AND EXPENSES

(thousands of dollars)

	2012	2011
Interest income from short-term investment holdings	$ 4,275	$ 4,968
Bank & service charges	(9)	(9)
	$ 4,266	$ 4,959

14. DEFERRED FUNDING

(thousands of dollars)

Deferred funding is comprised of unspent funding transferred to CIC from the GRF restricted for carbon capture and storage initiatives undertaken by Saskatchewan Power Corporation (SaskPower). As qualifying expenditures are made, CIC recognizes an equivalent amount of funding in earnings and reduces restricted cash and cash equivalents and deferred funding by the same amount. During 2011, CIC fulfilled its commitments for funding carbon capture and storage initiatives undertaken by SaskPower.

	2012	2011
Deferred funding:		
Current deferred funding, beginning of year	$ -	$ 100,240
Long-term deferred funding, beginning of year	-	-
Grant funding earned and grant to SaskPower	-	(100,240)
Deferred funding, end of year	$ -	$ -

15. GRANTS TO SUBSIDIARY CORPORATIONS

(thousands of dollars)

	2012	2011
Saskatchewan Transportation Company	$ 11,500	$ 10,700
SaskEnergy Incorporated	9,747	12,225
Gradworks Inc.	220	400
Saskatchewan Telecommunications Holding Corporation	-	10,000
Saskatchewan Government Insurance	-	2,950
Saskatchewan Power Corporation	-	100,240
	$ 21,467	$ 136,515

16. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

(thousands of dollars)

	2012	2011
Decrease in interest and accounts receivable	$ 501	$ 677
Increase in dividends receivable	(22,593)	(4,386)
Increase (decrease) in interest and accounts payable	161	(11,945)
	$ (21,931)	$ (15,654)

17. FINANCIAL INSTRUMENTS

a) Market risk

Interest rate price risk reflects the risk that CIC's earnings will fluctuate due to changes in interest rates. CIC's cash and cash equivalents and short-term investments are held in short-term money market instruments and will therefore adjust to fluctuations in the interest rate environment. CIC does not believe that the impact of fluctuations in interest rates will be significant and therefore has not provided a sensitivity analysis of the impact on net earnings.

Cash and cash equivalents and short-term investments are measured at fair value based on an active market.

b) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. CIC's interest and accounts receivable consist mostly of interest due on money market investments. CIC has recorded no allowance on its interest and accounts receivable balance. Dividends receivable are due from CIC's subsidiaries within 90 days of year end. CIC has recorded no allowances on its dividends receivable.

c) Liquidity risk

Liquidity risk is the risk that CIC is unable to meet its financial commitments as they become due. CIC is a Saskatchewan Provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. All interest and accounts payable are current and due within six months of year end. Currently, CIC has sufficient resources to discharge all liabilities.

18. RELATED PARTY TRANSACTIONS

Included in these separate financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). CIC has elected to take a partial

18. RELATED PARTY TRANSACTIONS *(continued)*

exemption under IAS 24 - *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government and other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

In addition, CIC pays Saskatchewan provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to CIC Asset Management Inc., First Nations and Métis Fund Inc., Gradworks Inc., Saskatchewan Immigrant Investor Fund Inc., and CIC Economic Holdco Ltd. without charge.

These separate financial statements and the notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

Key management personnel compensation

In addition to salaries, CIC also provides non-cash benefits to the President and Vice-Presidents and contributes to a post-employment defined contribution plan on their behalf. A retirement allowance is provided to executive officers and accumulates at a rate of 1.92 per cent of their respective gross salary per year.

Key management personnel compensation is comprised of:
(thousands of dollars)

	2012	2011
Salaries and short-term employee benefits	$ 1,352	$ 1,152
Employee future benefits	122	90
Other	9	8
	$ 1,483	$ 1,250

19. PENSION PLAN

CIC's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. The total amount paid to the Plan to December 31, 2012 was $530.2 thousand (2011 - $545.4 thousand). Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan. An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 2012 exceed the actuarially determined net present value of retirement annuities payable.

20. SUBSEQUENT EVENT

On January 22, 2013, under direction from the Saskatchewan Ministry of Finance, CIC repaid $143.0 million in equity advances to the GRF.

Glossary of Terms

ACCUMULATED OTHER COMPREHENSIVE INCOME
Comprises the accumulated balance of all components of other comprehensive income, being revenues, expenses, gains and losses that, in accordance with primary sources of generally accepted accounting principles, are recognized in comprehensive income, but excluded from net earnings.

CAPITAL RESOURCES
The funds that have been invested in and loaned to the corporation to allow it to carry out its operations and investment activities. A corporation's capital consists of its debt and equity.

CAPITAL STRUCTURE
The relative percentage or weighting of debt compared to equity for a corporation. The ideal capital structure for a corporation is usually specific to its industry and depends on factors such as the level of capital assets required to maintain operations, the cost of borrowing, the risk associated with the industry, and shareholder expectations.

CASH FLOW RETURN ON EQUITY
A measure of profitability used to evaluate the Province's investment in CIC. It is based on the cash return (e.g., dividend) provided to the owner and is calculated as dividends paid to the GRF divided by the Province's equity.

COMPREHENSIVE INCOME
The change in equity (net assets) of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

DEBT RATIO
Measures the per cent of debt in the overall capital structure of an organization and is used to evaluate its financial flexibility. It is calculated as total debt from ongoing operations (long-term debt plus long-term debt due within one year plus notes payable) less sinking funds divided by the Corporation's capital (debt plus equity).

DERIVATIVE
A contract or security that obtains its value from price movements in a related or underlying security, future or other instrument or index.

DIVIDEND CAPACITY
The financial ability that a firm has to pay dividends. Dividend capacity is determined by identifying cash sources from operations, analyzing reinvestment needs and the target capital structure, and then determining surplus cash.

DIVIDEND PAYOUT RATE
The percentage of earnings that has been paid out as dividends.

FORWARD CONTRACT
A contractual commitment to buy or sell a specified currency at a specific price and date in the future.

GENERAL REVENUE FUND (GRF)
The GRF is a special purpose fund that the Government uses to pay for most of the programs it provides. It is the Government of Saskatchewan's central accounting entity where all public monies are deposited to and disbursed from, as authorized by the Legislative Assembly.

MINIMUM CAPITAL TEST (MCT)
The minimum capital test is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

OPTION
A contract that grants the right, but not the obligation, to buy or sell a commodity or financial instrument at a specified price at a point in time during a defined period.

OTHER COMPREHENSIVE INCOME
Comprises revenue, expenses, gains and losses that, in accordance with primary sources of generally accepted accounting principles are recognized in comprehensive income, but excluded from net income.

PERFORMANCE MANAGEMENT PLANS
Plans that are developed by each Crown corporation detailing key strategic priorities, measures and targets for a given year. They are also referred to as business plans, and typically include the corporation's budget for the year.

RETURN ON EQUITY
A measure of profitability that relates a company's earnings to the investment by its owners. It is calculated as net earnings divided by the average shareholder's equity.

SIGNIFICANT TRANSACTION
Significant transactions are those judged by a Crown corporation to be sensitive and likely of interest to legislators and the public; or where the transaction is both material and outside the ordinary course of business and involves:
- the acquisition of a major investment or asset, or the assumption of a major liability;
- a change in the terms and conditions governing an existing investment or asset; or
- the divestment of a major asset or investment.

SINKING FUND
An account held for the specific purpose of paying down an existing debt instrument (e.g., loan) that has a maturity date in the future. Money is placed in the fund over the period which the debt is held, and then used to pay off the debt at its maturity. Sinking funds are recorded as investments for financial reporting purposes.

SWAP
A contractual agreement to exchange a stream of periodic payments with a counterparty.

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